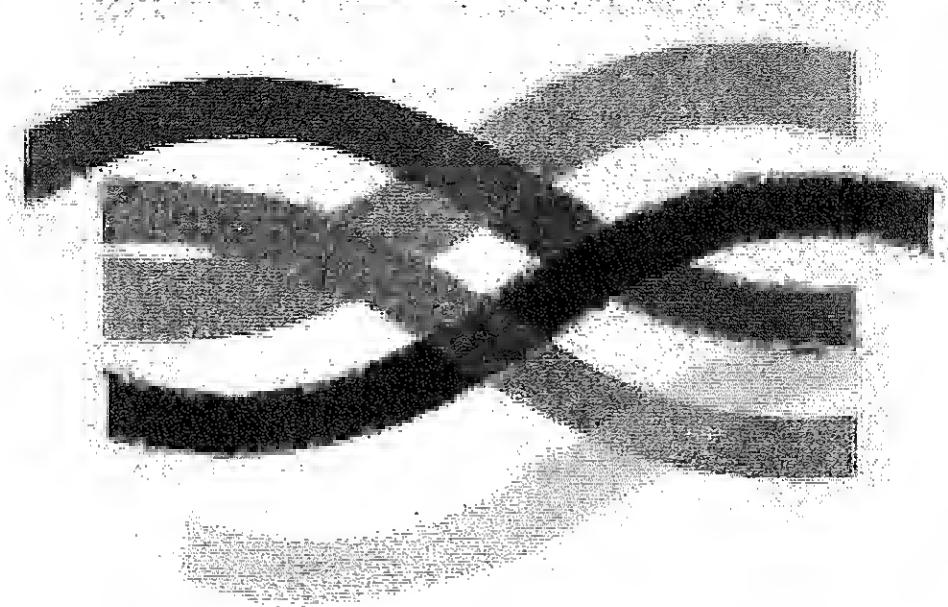


# **Matzikama**

**MUNICIPALITY**

**matzikama**



**ANNUAL FINANCIAL STATEMENTS**

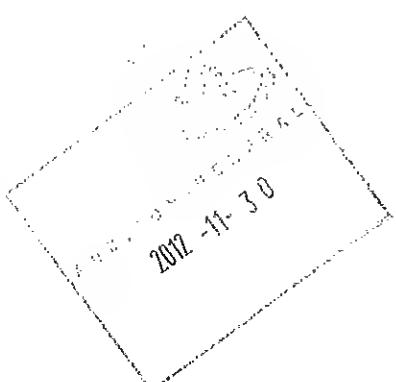
**30 JUNE 2012**

2012-11-30

# MATZIKAMA MUNICIPALITY

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# MATZIKAMA MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) and are classified as a medium capacity municipality.

#### JURISDICTION

The Matzikama Municipality includes the following areas:

*Vredendal  
Vanhyndorp  
Klaver  
Koekenaap  
Lutzville  
Ebenhaezer  
Strandfontein  
Doringbaai  
Bitterfontein  
Nuweveld  
Stofkraal  
Molsveld  
Rietpoort  
Kliprand* 34-57

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>J G BOCK</i>
Deputy Executive Mayor	<i>P BOK</i>
Executive Councillor	<i>D GOEDEMAN</i>
Executive Councillor	<i>A SINDYAMBA</i>
Executive Councillor	<i>J KRIEL</i>
Speaker	<i>R STEPHAN</i>
Councillor	<i>W H NELL</i>
Councillor	<i>I JULIES</i>
Councillor	<i>E HARRIS</i>
Councillor	<i>F BAM</i>
Councillor	<i>MC WITBOOI</i>
Councillor	<i>C VAN DER WESTRUIS</i>
Councillor	<i>E MOINGOI</i>
Councillor	<i>D JENNER</i>

#### MUNICIPAL MANAGER

*D G J O'Neill*

#### CHIEF FINANCIAL OFFICER

*U Baartman*

#### REGISTERED OFFICE

*37 Church Street, Vredendal, 8160*

#### AUDITORS

*Auditor-General, Private Bag X1, Chempet, 7442*

#### PRINCIPLE BANKERS

*ABSA Bank*

#### ATTORNEYS

*Swanepoel and Swanepoel Attorneys  
Koos Coetzee Prokureurs  
Downing en Engelbrecht Prokureurs  
Smith en KleiCo  
Van Rensburg & Kle*

#### RELEVANT LEGISLATION

*Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1996)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations*

2012-11-30

# MATZIKAMA MUNICIPALITY

## MEMBERS OF THE MATZIKAMA MUNICIPALITY

### COUNCILLORS

1	F BAM
2	DS GOEDMAN
3	E MQINGQI
4	P BOK
5	R STEPHAN
6	I F JULIES
7	A SINDYAMBA
8	C VAN DER WESTRUIS
Proportional	W H NELL
Proportional	M C WITBOOI
Proportional	J KRIEL
Proportional	J G BOCK
Proportional	E HARRIS
Proportional	J SMIT

34 -57

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 57 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

D G I O'Neill  
Municipal Manager

Date

2012/11/12

RECEIVED  
2011-11-30

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012**

	Notes	2012 R	2011 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>294 866 178</b>	<b>256 679 069</b>
Housing Development Fund	2	47 049	47 049
Accumulated Surplus/(Deficit)		294 819 129	256 632 020
<b>Non-Current Liabilities</b>		<b>102 431 576</b>	<b>70 507 485</b>
Long-term Liabilities	3	46 980 091	27 619 884
Employee benefits	4	20 495 692	15 191 487
Non-Current Provisions	5	34 955 792	27 696 114
<b>Current Liabilities</b>		<b>45 493 956</b>	<b>44 471 815</b>
Consumer Deposits	6	2 706 613	2 558 041
Current Employee benefits	7	6 888 675	7 083 799
Provisions	8	-	-
Payables from exchange transactions	9	21 823 095	20 647 818
Unspent Conditional Government Grants and Receipts	10	6 176 932	5 104 362
Unspent Public Contributions	11	-	713 859
Taxes	12	-	2 242 077
Operating Lease Liability	20	3 059	13 632
Current Portion of Long-term Liabilities	3	7 890 407	6 073 773
Cash and Cash Equivalents	21	5 176	34 453
<b>Total Net Assets and Liabilities</b>		<b>442 791 709</b>	<b>371 658 370</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>411 066 042</b>	<b>342 480 685</b>
Property, Plant and Equipment	13	372 377 880	302 721 480
Investment Property	14	37 235 800	37 235 800
Intangible Assets	15	889 777	956 259
Long-Term Receivables	16	562 584	1 567 146
<b>Current Assets</b>		<b>31 725 667</b>	<b>29 177 685</b>
Inventory	17	2 629 524	1 946 511
Receivables from exchange transactions	18	17 070 557	14 116 943
Receivables from non-exchange transactions	19	3 715 890	3 179 726
Unpaid Conditional Government Grants and Receipts	10	1 416 975	6 676 091
Unpaid Public Contributions	11	616 689	-
Taxes	12	837 324	-
Operating Lease Asset	20	40 312	41 129
Current Portion of Long-term Receivables	16	858 652	1 488 683
Cash and Cash Equivalents	21	4 539 746	1 728 602
<b>Total Assets</b>		<b>442 791 709</b>	<b>371 658 370</b>

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	2012 R	Restated 2011 R	Correction of error R	Previously reported 2011 R
<b>REVENUE</b>					
Revenue from Non-exchange Transactions		100 611 885	83 151 347	(1 199 975)	84 351 322
Taxation Revenue		24 546 082	19 466 226	0	19 466 226
Property taxes	22	24 546 082	19 466 226	0	19 466 226
Transfer Revenue		73 797 556	62 144 723	(1 199 975)	63 344 698
Government Grants and Subsidies - Capital	23	32 342 482	29 855 620	-	29 855 620
Government Grants and Subsidies - Operating	23	38 124 526	31 242 962	(1 199 975)	32 442 937
Public Contributions and Donations	11	3 330 548	1 046 141	-	1 046 141
Other Revenue		2 268 247	1 540 398	-	1 540 398
Actuarial Gains	4	-	30 092	-	30 092
Fines		2 268 247	1 510 306	-	1 510 306
Revenue from Exchange Transactions		132 793 660	84 385 719	(1)	84 385 720
Service Charges	24	92 059 597	75 097 454	(1)	75 097 455
Rental of Facilities and Equipment		2 722 217	2 652 454	(0)	2 652 454
Interest Earned - external Investments		384 019	457 406	(0)	457 406
Interest Earned - outstanding debtors		1 435 251	1 358 644	(0)	1 358 644
Licences and Permits		5 009	13 474	0	13 474
Agency Services		1 569 392	2 449 948	0	2 449 948
Other Income	25	34 618 174	2 354 239	0	2 354 239
Gain on disposal of Property, Plant and Equipment		-	2 100	-	2 100
Total Revenue		<u>233 405 545</u>	<u>167 537 066</u>	<u>(1 199 976)</u>	<u>168 737 042</u>
<b>EXPENDITURE</b>					
Employee related costs	26	65 432 318	53 849 845	1 263 921	52 585 924
Remuneration of Councillors	27	4 432 920	3 668 332	-	3 668 332
Debt Impairment	28	7 453 657	9 551 162	-	9 551 162
Collection Costs		618 121	119 697	-	119 697
Depreciation and Amortisation	29	15 002 244	9 672 498	181 937	9 490 561
Impairments	30	15 282	108 615	22 946	85 669
Repairs and Maintenance		15 828 180	15 108 037	186 678	14 921 381
Actuarial losses	4	4 200 157	1 884 335	-	1 884 335
Finance Charges	31	6 388 588	5 839 471	-	5 839 471
Bulk Purchases	32	52 191 271	39 758 905	-	39 758 905
Contracted services		198 999	30 513	-	30 513
Grants and Subsidies	33	295 007	472 880	123 836	349 043
Operating Grant Expenditure	34	6 479 648	5 162 482	-	5 162 482
General Expenses	35	16 684 045	13 415 829	132 800	13 283 029
Loss on disposal of Property, Plant and Equipment		-	899 301	-	899 301
Total Expenditure		<u>195 218 436</u>	<u>159 541 902</u>	<u>1 912 117</u>	<u>157 629 785</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>38 187 109</u>	<u>7 995 164</u>	<u>(3 112 092)</u>	<u>11 107 257</u>

AUDITORS REPORT  
2012 - 11 - 30

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012**

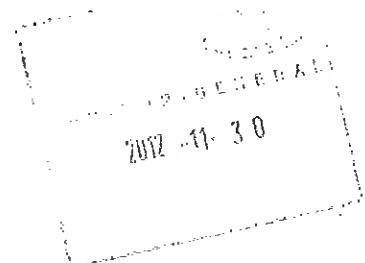
	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
<b>2010</b>				
Balance at 1 July 2010	464 101		258 077 341	258 541 442
Correction of errors			(9 857 537)	
<b>Restated Balance at 1 JULY 2010</b>	<b>464 101</b>		<b>248 219 804</b>	<b>258 541 442</b>
Net Surplus for the year	-	-	7 995 164	7 995 164
Expenditure to Housing Development Fund	(417 052)	-	417 052	-
<b>Restated Balance at 30 JUNE 2011</b>	<b>47 049</b>		<b>256 632 020</b>	<b>266 536 606</b>
Net Surplus for the year	-	-	38 187 109	38 187 109
Expenditure to Housing Development Fund	-	-	-	-
Expenditure to Capital Replacement reserve	-	-	-	-
<b>Balance at 30 JUNE 2012</b>	<b>47 049</b>		<b>294 819 129</b>	<b>304 723 715</b>

2012-07-03

**MATZIKAMA MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	2012 R	Restated 2011 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		122 582 342	101 834 737
Government Grants		76 798 694	64 474 077
Interest		1 819 271	1 816 050
<b>Payments</b>			
Suppliers and employees		(164 670 013)	(120 356 143)
Transfers and Grants		(295 007)	(472 880)
Finance charges	31	(6 388 588)	(5 839 471)
<b>Net Cash from Operating Activities</b>	37	<u>29 846 698</u>	<u>41 456 370</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(48 523 652)	(42 445 274)
Proceeds on Disposal of Fixed Assets		-	2 100
Purchase of Intangible Assets	15	(21 392)	(27 891)
Decrease in Long-term Receivables		213 356	(130 117)
<b>Net Cash from Investing Activities</b>		<u>(48 331 688)</u>	<u>(42 601 181)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of Long-term Liabilities		(4 323 159)	(3 025 271)
New loans raised		25 500 000	-
Increase in Consumer Deposits		148 572	167 802
<b>Net Cash from Financing Activities</b>		<u>21 325 411</u>	<u>(2 857 467)</u>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>2 840 421</u>	<u>(4 002 278)</u>
Cash and Cash Equivalents at the beginning of the year		1 694 149	5 696 427
Cash and Cash Equivalents at the end of the year	38	4 534 570	1 694 149
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>2 840 421</u>	<u>(4 002 278)</u>


  
 2012-11-30

		2012 R	2011 R
<b>2</b>	<b>NET ASSET RESERVES</b>		
Housing Development Fund		47 049	47 049
<b>Total Net Asset Reserves</b>		<u>47 049</u>	<u>47 049</u>
<b>3</b>	<b>LONG-TERM LIABILITIES</b>		
Annuity Loans - At amortised cost		54 870 498	33 693 657
Current Portion transferred to Current Liabilities		(7 890 407)	(6 073 773)
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>		<u>46 980 091</u>	<u>27 619 884</u>
Refer below for maturity dates of long term liabilities:			
The obligations under annuity loans are scheduled below:			
Amounts payable under annuity loans:		Minimum annuity payments	
Payable within one year		14 204 636	10 205 008
Payable within two to five years		41 339 618	25 508 789
Payable after five years		31 499 274	12 849 382
<b>Less:</b>	<b>Future finance obligations</b>	<u>87 143 528</u>	<u>48 563 179</u>
<b>Present value of annuity obligations</b>		<u>(32 273 030)</u>	<u>(14 869 522)</u>
		<b>54 870 498</b>	<b>33 693 657</b>
Annuity loans at amortised cost is calculated at 5.70%-11.14% interest rate, with first maturity date of 30 June 2012 and last maturity date of 30 June 2020.			
<b>4</b>	<b>EMPLOYEE BENEFITS</b>		
Post Retirement Benefits - Refer to Note 4.1		17 459 184	13 101 856
Long Service Awards - Refer to Note 4.2		3 026 508	2 089 631
<b>Total Non-current Employee Benefit Liabilities</b>		<u>20 495 692</u>	<u>15 191 487</u>
<b><u>Post Retirement Benefits</u></b>			
Balance 1 July		13 781 488	11 271 949
Contribution for the year		434 915	290 512
Interest Cost		1 134 360	1 000 194
Expenditure for the year		(701 339)	(655 502)
Actuarial Loss/(Gain)		3 563 004	1 834 335
<b>Total post retirement benefits 30 June</b>		<u>13 211 828</u>	<u>13 781 488</u>
<b>Less:</b>	<b>Transfer of Current Portion - Note 7</b>	<u>(742 644)</u>	<u>(679 632)</u>
<b>Balance 30 June</b>		<b>17 459 184</b>	<b>13 101 856</b>
<b><u>Long Service Awards</u></b>			
Balance 1 July		2 284 031	2 005 016
Contribution for the year		328 319	248 148
Interest Cost		173 695	177 252
Expenditure for the year		(181 027)	(116 293)
Actuarial Loss/(Gain)		637 153	(30 092)
<b>Total long service 30 June</b>		<u>3 242 171</u>	<u>2 284 031</u>
<b>Less:</b>	<b>Transfer of Current Portion - Note 7</b>	<u>(215 663)</u>	<u>(194 403)</u>
<b>Balance 30 June</b>		<b>3 026 508</b>	<b>2 089 631</b>
<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>			
Balance 1 July		16 065 519	13 276 955
Contribution for the year		762 634	538 660
Interest cost		1 308 055	1 177 446
Expenditure for the year		(862 386)	(781 795)
Actuarial Loss/(Gain)		4 200 157	1 854 243
<b>Total employee benefits 30 June</b>		<u>21 453 999</u>	<u>16 065 519</u>
<b>Less:</b>	<b>Transfer of Current Portion - Note 7</b>	<u>(958 307)</u>	<u>(874 032)</u>
<b>Balance 30 June</b>		<b>20 495 692</b>	<b>15 191 487</b>
<b>4.1</b>	<b>Post Retirement Benefits</b>		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		2012 Employees	2011 Employees
In-service (employee) members		93	81
In-service (employee) non-members		94	59
Continuation members (e.g. Retirees, widows, orphans)		30	30
<b>Total Members</b>		<u>217</u>	<u>170</u>

	2012 R	2011 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	7 780 251	4 243 330
Continuation members	10 421 576	9 538 157
<b>Total Liability</b>	<b>18 211 827</b>	<b>13 781 487</b>

	2008 R	2009 R	2010 R
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
In-service members	1 825 215	1 769 000	2 576 000
Continuation members	6 918 003	7 430 085	8 695 948
<b>Total Liability</b>	<b>8 743 226</b>	<b>9 199 086</b>	<b>11 271 948</b>

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health;  
Samumed; and  
Keyhealth.

	2012 %	2011 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	7.70%	8.43%
Health Care Cost Inflation Rate	7.03%	7.25%
Net Effective Discount Rate	0.69%	1.10%
The next contribution rate increase is assumed to occur at 1 January 2013.		
ii) Mortality rates		
Mortality during employment - SA 85-90		
Mortality post-retirement - PAP90-1		
iii) Normal retirement age		

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and late health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	18 211 828	13 781 486
<b>Total Liability</b>	<b>18 211 828</b>	<b>13 781 486</b>

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a) and GRAP 25.

	2012 R	2011 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	13 781 486	11 271 949
Total expenses	857 336	655 204
Current service cost	434 315	290 512
Interest Cost	1 134 360	1 000 194
Benefits Paid	(701 339)	(665 502)
Actuarial (gains) losses	3 563 004	1 884 935
Present value of fund obligation at the end of the year	18 211 828	13 781 486
<u>Less:</u>	<u>(742 644)</u>	<u>(879 632)</u>
<b>Balance 30 June</b>	<b>17 469 184</b>	<b>13 101 856</b>

#### Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability R	Continuation members liability R	Total liability R
Central Assumptions	7 780 251	10 421 576	18 211 827

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability R	Continuation members liability R	Total liability R	Change %
Health care inflation	1%	9 810 000	11 494 000	21 304 000	17%
Health care inflation	-1%	6 238 000	9 489 000	15 727 000	-14%
Post-retirement mortality	-1 year	8 076 000	10 866 000	18 942 000	4%
Average retirement age	-1 year	8 392 000	10 422 000	18 814 000	3%
Withdrawal Rate	-50%	8 831 000	10 422 000	19 253 000	6%

#### Sensitivity Analysis on the Current Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		434 300	1 134 400	1 569 700	
Health care inflation	1%	556 500	1 312 100	1 868 700	19%
Health care inflation	-1%	312 400	989 600	1 332 000	-15%
Post-Retirement mortality	-1 year	449 500	1 179 500	1 629 000	5%
Average retirement age	-1 year	477 400	1 165 800	1 643 200	5%
Withdrawal Rate	-50%	525 700	1 190 600	1 716 300	9%

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

History of experience adjustments: Gains and Losses		2012	2011	2010	2009
Liabilities: (Gain) / loss		2 393 000	(198 000)	1 725 000	47 600
Assets: Gain / (loss)					
<b>4.2 Long Service Bonuses</b>					
The Long Service Bonus plans are defined benefit plans.					
As at year end, the following number of employees were eligible for Long Service Bonuses.		<u>398</u>	<u>354</u>		
Key actuarial assumptions used:					
i) Rate of Interest					
Discount rate					
General Salary Inflation (long-term)					
Net Effective Discount Rate applied to salary-related Long Service Bonuses					
		2012 %	2011 %		
		6.77%	7.94%		
		6.01%	6.30%		
		0.72%	1.54%		
The amounts recognised in the Statement of Financial Position are as follows:		2012 R	2011 R		
Present value of fund obligations		<u>3 242 171</u>	<u>2 284 031</u>		
Net liability		<u>3 242 171</u>	<u>2 284 031</u>		
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		2008 R	2009 R	2010 R	
<b>Total Liability</b>		<u>587 152</u>	<u>671 621</u>	<u>2 005 016</u>	
Reconciliation of present value of fund obligation:		2012 R	2011 R		
Present value of fund obligation at the beginning of the year		<u>2 284 031</u>	<u>2 005 016</u>		
Total expenses		<u>320 957</u>	<u>309 107</u>		
Current service cost		<u>328 319</u>	<u>248 148</u>		
Interest Cost		<u>173 695</u>	<u>177 252</u>		
Benefits Paid		<u>(181 027)</u>	<u>(116 239)</u>		
Actuarial (gains)/losses		<u>637 153</u>	<u>(30 092)</u>		
Present value of fund obligation at the end of the year		<u>3 242 171</u>	<u>2 284 031</u>		
Less:	Transfer of Current Portion - Note 7				
Balance 30 June		<u>(215 660)</u>	<u>(194 400)</u>		
		<u>3 026 508</u>	<u>2 089 631</u>		
Sensitivity Analysis on the Unfunded Accrued Liability					
Assumption		Change	Liability R	Change %	
Central assumptions					
General salary inflation			3 242 000		
General salary inflation		+1%	3 543 000	9%	
Average retirement age		+1%	2 975 000	-8%	
Average retirement age		-2 yrs	2 958 000	-0%	
Withdrawal rates		+2 yrs	3 600 000	11%	
		-50%	3 997 000	23%	
Sensitivity Analysis on the Current Service and Interest Cost					
Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central assumptions		328 319	173 695	502 014	
General salary inflation	+1%	353 576	189 838	543 414	8%
General salary inflation	-1%	306 394	159 452	465 846	-7%
Average retirement age	-2 year	309 606	158 426	467 032	-7%
Average retirement age	+2 year	349 787	191 476	540 263	8%
Withdrawal rates	-50%	413 719	215 577	629 296	25%
History of experience adjustments: (Gains) and losses		2012	2011	2010	2009
Plan Liabilities		<u>405 952</u>	<u>(224 240)</u>	<u>1 264 879</u>	<u>37021</u>
Plan assets					

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		2012 R	2011 R
4.3	Retirement funds		
<p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.</p>			
<p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data is to be confidential and were not willing to share this information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p>			
<p>Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.</p>			
<p><b>CAPE JOINT PENSION FUND</b></p>			
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in an sound financial position with a funding level of 99.10% (30 June 2010 - 100%).</p>			
<p>Contributions paid recognised in the Statement of Financial Performance</p>		<u>19 579</u>	<u>17 335</u>
<p><b>CAPE RETIREMENT FUND</b></p>			
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 115.9% (30 June 2010 - 100.3%).</p>			
<p>Contributions paid recognised in the Statement of Financial Performance</p>		<u>6 119 460</u>	<u>4 429 552</u>
<p><b>DEFINED CONTRIBUTION FUNDS</b></p>			
<p>Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMZWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p>			
<p>Contributions paid recognised in the Statement of Financial Performance</p>			
<p>Municipal Councillors Pension Fund SALA Pension Fund U</p>		<u>663 601</u>	<u>827 820</u>
<p><b>5 NON-CURRENT PROVISIONS</b></p>			
<p>Provision for Rehabilitation of Landfillsites</p>		<u>34 955 792</u>	<u>27 696 114</u>
<p>Total Non-current Provisions</p>		<u>34 955 792</u>	<u>27 696 114</u>
<p>In terms of the licensing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives, estimated to be in 2014. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.</p>			
<p><b>Landfill Sites</b></p>			
<p>Balance 1 July</p>		<u>27 696 114</u>	<u>26 353 165</u>
<p>Balance Previously Reported</p>		<u>16 974 755</u>	
<p>Transfer of Functions DMA</p>		<u>9 378 429</u>	
<p>Correction of Error - Note 36.08</p>			
<p>Transfer of Functions DMA</p>		<u>5 595 116</u>	
<p>Contribution for the year</p>		<u>1 664 562</u>	<u>1 342 929</u>
<p>Balance Previously Reported</p>		<u>1 210 129</u>	
<p>Correction of Error - Note 36.08 (a)</p>		<u>132 600</u>	
<p>Total provision 30 June</p>		<u>34 955 792</u>	<u>27 696 114</u>
<p>Current Portion</p>			
<p>Balance Previously Reported</p>		<u>{2 007 154</u>	
<p>Correction of Error - Note 36.01 (a)</p>		<u>2 007 154</u>	
<p>Balance 30 June</p>		<u>34 955 792</u>	<u>27 696 114</u>
<p><b>6 CONSUMER DEPOSITS</b></p>			
<p>Water and Electricity</p>		<u>2 705 613</u>	<u>2 558 041</u>
<p>Total Consumer Deposits</p>		<u>2 705 613</u>	<u>2 558 041</u>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

2012-11-30

	2012 R	2011 R
<b>7 CURRENT EMPLOYEE BENEFITS</b>		
Current Portion of Post Retirement Benefits - Note 4	742 644	679 632
Current Portion of Long Service Provisions - Note 4	215 663	194 400
Provision for Staff Leave	3 719 709	2 280 636
Provision for Performance Bonuses	498 408	460 107
Bonuses Accrued	1 576 083	1 435 366
Pension	36 168	38 168
2.5% Back Pay	-	-
Provision for TASK Evaluation - Correction of error note 36.03	1 997 450	-
<b>Total Current Employee Benefits</b>	<b>6 685 675</b>	<b>7 083 759</b>

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	2 280 636	1 614 105
Transferred from DMA	180 518	-
Contribution to current portion	1 483 455	922 940
Expenditure incurred	(224 899)	(256 410)
Balance at end of year	<b>3 719 709</b>	<b>2 280 636</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Provision for Performance Bonuses

Balance at beginning of year	460 107	401 640
Contribution to current portion	241 589	450 422
Expenditure incurred	(203 268)	(421 955)
Balance at end of year	<b>498 408</b>	<b>460 107</b>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Bonuses Accrued

Balance at beginning of year	1 435 366	1 198 978
Contribution to current portion	3 140 711	2 518 639
Expenditure incurred	(2 899 934)	(2 282 500)
Balance at end of year	<b>1 576 083</b>	<b>1 435 366</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Pension

Balance at beginning of year	36 168	37 397
Contribution to current portion	-	-
Expenditure incurred	-	(1 220)
Balance at end of year	<b>36 168</b>	<b>36 168</b>

Pension payments to staff who did not belong to a pension fund in 1934, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

Backpay 2.5%

Balance at beginning of year	-	118 115
Expenditure incurred	-	(118 115)
Balance at end of year	<b>-</b>	<b>-</b>

Provision for TASK Evaluation

Balance at beginning of year	1 997 450	-
Contribution to current portion	(1 997 450)	1 997 450
Expenditure incurred	-	1 997 450

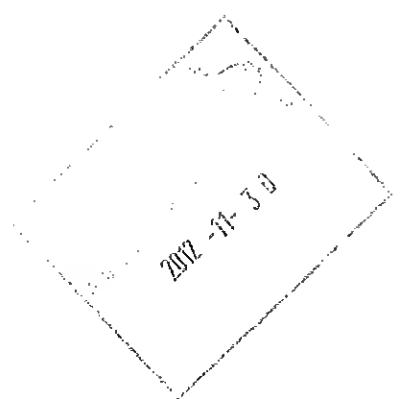
The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereto all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

	2012 R	2011 R
<b>8 PROVISIONS</b>		
Current Portion of Rehabilitation of Landfill-sites - Note 5	-	-
Balance Previously Reported	-	2 007 164
Correction of error note 36.01(o)	-	(2 007 164)
<b>Total Provisions</b>	<b>-</b>	<b>-</b>

2012-11-30

		2012 R	2011 R
<b>9 PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade Payables		2 957 656	6 631 628
Balance Previously Reported		6 607 692	
Correction of error - Note 35.04		123 836	
Pre-paid electricity		296 333	427 762
Sundry Creditors		15 026 166	9 278 461
Payments received in advance		1 603 378	853 149
Retention		1 725 847	3 247 673
Sundry Deposits		209 515	209 245
<b>Total Trade Payables</b>		<b>21 823 095</b>	<b>20 647 818</b>
Payables are being recognised net of any discounts.			
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.			
The carrying value of trade and other payables approximates its fair value.			
All payables are unsecured.			
Sundry deposits include half, builders and housing deposits.			
<b>10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>			
Unspent Grants		6 178 932	5 104 352
National Government Grants		3 883 794	2 657 047
Provincial Government Grants		2 293 133	2 447 315
Other Grant Providers		*	*
<b>Less:</b>	<b>Unpaid Conditional Government Grants and Receipts</b>		
National Government Grants		1 416 975	6 676 091
Balance Previously Reported		1 416 975	
Correction of Error - note 35.01 (a)		*	*
Provincial Government Grants		*	*
Other Grant Providers		*	*
<b>Total Conditional Grants and Receipts</b>		<b>4 759 957</b>	<b>(1 571 729)</b>
Refer to note 23 for a detail reconciliation of grants.			
Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.			
<b>11 UNSPENT PUBLIC CONTRIBUTIONS</b>			
Unspent Grants			
Exxaro Namakwa Sands			713 659
<b>Less:</b>	<b>Unpaid Public Contributions</b>		
Matzikama Onwhistlepig Trust			(616 689)
<b>Total Public Contributions and Receipts</b>		<b>(616 689)</b>	<b>713 659</b>
Reconciliation of public contributions:			
Exxaro Namakwa Sands and Matzikama Development Trust			
Opening balance		713 659	
Contributions received		2 000 000	1 760 000
Conditions met - Transferred to revenue		(3 330 548)	(1 046 141)
Closing balance		(616 689)	713 659
Contributions received from Exxaro Namakwa Sands (mining) is subject to conditions. The contribution was used to utilise community development and infrastructure.			
<b>12 TAXES</b>			
<b>12.1 VAT PAYABLE</b>			
VAT Payable			2 624 551
VAT Output in suspensa			2 629 826
Balance previously reported			2 478 735
Portion of Output VAT on provision for impairment - opening balance			1 984 842
Correction of error - note 38.01(m)			878 007
<b>Less: Contribution to provision for impairment of trade receivables from exchange transactions</b>			(324 114)
Opening balance			(1 463 858)
Movement for the year			(1 658 077)
<b>Total VAT Payable</b>			<b>194 209</b>
			(678 007)
			(780 070)
			1 160 683
			3 450 484
<b>12.2 VAT RECEIVABLE</b>			
VAT Receivable		399 377	
VAT Input in suspensa		1 658 630	1 203 407
Balance previously reported			2 059 720
Correction of error - note 38.01(n)			(1 031 463)
Correction of error - note 38.01(n)			160 150
<b>Total VAT Receivable</b>		<b>1 598 007</b>	<b>1 203 407</b>
<b>12.3 NET VAT RECEIVABLE/(PAYABLE)</b>			
VAT is receivable/payable on the cash basis.			637 324
			(2 242 077)

2012-11-30



## 13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

## Reconciliation of Carrying Value

	Opening Balance R	Transfer of Functions R	Cost R	Accumulated Depreciation and Impairment Losses				Carrying Value R
				Under Construction R	Construction Additions R	Transfers R	Disposals R	
Land and Buildings	37,060,358	5,286,897	320,249	1,554,485	-	-	44,724,200	1,391,703
Land	12,149,323	1,786,239	121,498	-	-	-	30,657,270	1,391,703
Buildings	24,153,435	3,560,556	636,752	1,534,485	-	-	-	-
Infrastructure	232,135,542	24,135,765	15,940,932	25,911,610	-	-	207,647,078	17,064,074
Stormwater and Roads	51,823,012	6,179,546	2,020,140	-	-	-	67,535,154	2,500,560
Sewerage	60,068,050	8,368,868	5,638,917	22,979,582	-	-	118,448,425	14,531,777
Electricity	30,498,555	3,744,350	2,153,550	77,643	-	-	30,054,741	7,147,533
Water	60,890,810	2,107,837	9,024,677	625,054	-	-	62,124,487	21,647,726
Solid Waste Disposal	5,757,200	6,505,116	-	-	-	-	19,322,087	1,401,577
Landfill Sites	-	-	-	-	-	-	14,332,464	7,635,465
Community Assets	13,720,022	0,147,310	236,304	-	-	-	30,176,347	2,576,057
Plants and Gardens	23,415,744	-	-	-	-	-	23,415,744	12,420
Utilities	80,000,801	-	-	-	-	-	80,000,801	61,401
Buildings	31,120,949	430,653	235,304	-	-	-	31,645,986	8,987
Civic Buildings	8,050,669	5,000,677	-	-	-	-	14,011,240	1,233,209
Taxi Ranks & Parking Areas	5,187,900	-	-	-	-	-	5,187,900	42,329
Competitors	600,000	-	-	-	-	-	600,000	841
Community Buildings	13,531,000	-	-	-	-	-	13,531,000	211
Other Assets	29,003,400	4,016,913	-	-	-	-	34,692,123	181,978
Office Equipment	1,631,107	23,224	603,255	2,634,958	-	-	4,652,524	553,524
Furniture & Fixtures	1,620,401	159,953	161,078	-	-	-	1,941,163	110,147
Doms and Donations	26,920	-	-	-	-	-	20,920	12,069
Motor Vehicles	15,702,542	201,447	2,415,420	2,202,145	-	-	20,701,552	4,045,359
Plant & Equipment	8,267,075	47,754	1,237,226	(2,202,145)	-	-	7,350,529	3,201,148
Computer Equipment	2,564,156	109,940	-	(2,634,958)	-	-	159,000	1,019,924
	312,655,007	30,012,400	21,077,026	27,444,134	-	-	467,642,026	60,224,507
								14,914,270
								15,202
								05/04/159
								372,577,700

A register certifying the information required by section 60 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

The effect of the change in Accounting estimate due to the review of useful lives and residual values is as follows:

Increase / (Decrease) in depreciation on other assets for the year

Increase / (Decrease) in depreciation on Infrastructure Assets for the year

Included in the detail above is interest amounting to R778,023.02 incurred on qualifying assets which has been capitalised during the year. The rate used to determine the amount eligible for capitalisation is 6.555%.

2012 2013 2014

R R R

422,965 404,050 507,400

CGP 624 382,897 384,406

1,262,429 677,650 901,914

	COST			Accumulated Depreciation and Impairment Losses			Carrying Value				
	Opening Balance	Transfer of Functions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Transfers	Impairments	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	33 520 964	-	1 617 260	1 945 145	-	37 083 358	1 105 462	222 327	-	-	35 891 570
Land	71 115 000	-	964 023	1 845 145	-	12 149 923	-	-	-	-	72 149 123
Buildings	22 335 934	-	652 337	-	24 053 435	1 168 462	221 327	-	-	23 541 647	
Balance Previously Reported	22 335 934	-	1 617 260	1 945 145	-	24 035 435	1 168 463	221 304	-	-	22 543 169
Correction of Error	-	-	-	-	-	(1)	1 523	-	-	-	1 522
2011 630	-	-	30 687 730	4 745 173	-	223 215 342	60 457 643	6 255 314	-	-	104 615
2012	50 077 015	-	1 363 318	302 000	-	51 182 912	12 547 462	1 987 673	-	-	37 260 750
Land	63 264 510	-	10 868 265	2 956 256	-	68 066 010	12 322 174	2 010 681	-	-	14 541 777
Buildings	62 256 509	-	13 868 205	3 546 008	-	65 715 922	12 322 176	2 010 601	-	-	14 541 777
Balance Previously Reported	62 256 509	-	13 868 205	3 546 008	-	65 715 922	12 322 176	2 010 601	-	-	14 541 777
Correction of Error	-	-	-	(544 622)	-	-	-	-	-	-	(544 622)
Infrastructure	29 024 019	-	564 337	-	-	30 486 658	6 341 138	606 397	-	-	7 147 553
Stormwater and Roads	44 568 051	-	14 781 309	1 397 219	-	60 560 656	21 910 341	1 273 405	-	-	22 164 748
Water	44 568 051	-	14 781 308	1 654 068	-	60 560 656	21 910 341	1 273 405	-	-	27 042 903
Balance Previously Reported	44 568 051	-	14 781 308	1 654 068	-	60 560 656	21 910 341	1 273 405	-	-	27 042 903
Correction of Error	-	-	-	-	-	-	-	-	-	-	-
Electricity	100 667	-	-	-	-	100 047	20 052	13 120	-	-	39 977
Water	8 257 288	-	-	-	-	8 257 776	7 121 094	-	-	-	159 810
Solid Waste Disposal	-	-	-	-	-	-	-	-	-	-	-
Landfill Site*	4 655 302	-	-	-	-	4 959 352	4 034 751	222 679	-	-	106 615
Balance Previously Reported	4 655 302	-	-	-	-	4 959 352	4 034 751	222 679	-	-	106 615
Correction of Error	3 707 066	-	-	-	-	3 707 916	3 073 326	105 415	-	-	705 303
2012	63 547 058	-	148 568	-	-	63 712 623	2 157 258	417 029	-	-	22 275 487
Community Assets	23 028 170	-	140 595	-	-	23 115 744	10 905	5 650	-	-	61 217 750
Parks and Gardens	500 061	-	-	-	-	600 061	71 521	9 070	-	-	523 383 123
Leisure	51 126 940	-	-	-	-	31 126 940	1 050 046	183 163	-	-	81 481 790
Recreation Grounds	8 056 508	-	-	-	-	6 956 508	610 239	85 528	-	-	7 033 785
Civic Buildings	5 167 500	-	-	-	-	5 167 500	31 734	10 575	-	-	6 245 784
Tax Halls and Parks Areas	860 500	-	-	-	-	860 500	621	210	-	-	42 329
Community Buildings	13 351 500	-	-	-	-	13 351 500	500 791	122 615	-	-	641
Other Assets	29 081 640	-	9 362 202	-	-	(2 600 16)	29 033 460	6 446 675	1 456 619	(1 701 217)	20 081 400
Office Equipment	1 031 067	-	513 346	-	-	(100 751)	1 031 067	415 236	154 378	-	532 924
Furniture & Fixtures	1 207 704	-	-	-	-	1 123 401	214 237	129 137	(39 207)	-	310 147
Furniture and Containments	20 620	-	-	-	-	20 620	11 437	1 341	-	-	13 105 525
Motor Vehicles	14 505 403	-	1 425 324	-	-	(207 217)	15 702 542	877 556	-	-	12 686 135
Plant & Equipment	7 940 308	-	1 433 000	-	-	(1 075 907)	6 287 675	2 081 424	753 979	-	4 016 310
Computer Equipment	4 171 195	-	200 344	-	-	(1 070 947)	2 554 958	1 901 971	450 320	(1 216 557)	2 200 148
Computer Equipment	343 111 231	-	50 745 356	6 701 318	-	(2 500 016)	362 658 907	72 340 050	6 250 251	-	(1 701 217)



		2012 R	2011 R
14	<b>INVESTMENT PROPERTY</b>		
	Carrying amount at 1 July	37 235 800	37 235 800
	Carrying amount at 30 June	<u>37 235 800</u>	<u>37 235 800</u>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

		2012 R	2011 R
15	<b>INTANGIBLE ASSETS</b>		
	Computer Software and Services		
	Net Carrying amount at 1 July 2011	956 259	1 014 616
	Cost	1 320 162	1 282 272
	Accumulated Amortisation	(363 903)	(277 655)
	Additions	21 392	27 891
	Amortisation	(67 874)	(86 248)
	Net Carrying amount at 30 June 2012	<u>889 777</u>	<u>956 259</u>
	Cost	1 341 554	1 320 162
	Accumulated Amortisation	(451 777)	(363 903)

Computer Software were assets to have a life span of 15 years. Services has an indefinite life span

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

		2012 R	2011 R
16	<b>LONG-TERM RECEIVABLES</b>		
	Housing Selling Scheme Loans	683 512	713 294
	Receivables subject to repayment arrangements	2 158 961	2 342 535
	<b>Total Long Term Receivables</b>	<b>2 842 473</b>	<b>3 055 829</b>
	Less: Allowance for Doubtful Debts	(1 421 237)	-
	<b>Total Net Long Term Receivables</b>	<b>1 421 236</b>	<b>-</b>
	Less: Current portion transferred to current receivables	(658 652)	(1 488 683)
	Housing Selling Scheme Loans	(144 701)	(29 782)
	Receivables subject to repayment arrangements	(713 951)	(1 458 902)
	<b>Total Long Term Receivables</b>	<b>662 584</b>	<b>1 567 146</b>

The carrying amount of these assets approximates their fair value.

The provision for impairment could be allocated to the different classes of Long Term Receivables as follows:

Housing Selling Scheme Loans	(341 758)	-
Receivables subject to repayment arrangements	(1 079 481)	-
Provision for Impairment	<u>(1 421 237)</u>	<u>-</u>

Housing loans are not granted to officials of the municipality, it is in respect of the old housing schemes. The outstanding amount relates to prior years and is not collectable. Housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years.

Receivables subject to repayment arrangements are debtors which are repaying their outstanding consumers accounts over a period of more than 12 months.

		2012 R	2011 R
17	<b>INVENTORY</b>		
	Consumable Stores - at cost	593 883	59 978
	Water - at purification cost	255 628	112 899
	Gravels - at net realisable value	105 263	73 684
	Office Work - at cost	178 800	176 800
	Wheela Bins - at cost	-	25 200
	Housing Inventory - at cost	1 235 769	1 236 769
	Land Held for Resale - at cost	261 181	261 181
	<b>Total Inventory</b>	<b>2 629 524</b>	<b>1 946 511</b>

No inventory assets were pledged as security for liabilities.

		2012 R	2011 R
18	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	<i>Service Receivables</i>	32 318 723	28 665 613
	Electricity	6 674 172	5 068 408
	Water	5 290 641	3 981 816
	Refuse	3 980 389	3 976 690
	Sewerage	5 949 943	5 435 318
	Other	10 423 578	10 803 721
	<i>Other Receivables</i>	40 823	33 425
	Sundry Receivables	40 823	33 425
	<b>Total Receivables from Exchange Transactions</b>	<b>32 359 546</b>	<b>28 699 038</b>
	Less: Allowance for Doubtful Debts	(15 288 990)	(14 582 095)
	<b>Total Net Receivables from Exchange Transactions</b>	<b>17 070 557</b>	<b>14 116 943</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Receivables to an amount R4 million are pledged as security for financial liabilities.

	2012 R	2011 R
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	16 500 292	8 425 529
Contribution to provision	7 259 448	10 331 232
Bad Debts Written Off	(5 198 028)	(2 256 469)
Balance at end of year	18 561 713	16 500 292
Receivables from Exchange Transactions	15 283 990	14 582 095
Receivables from Non-Exchange Transactions	1 851 495	1 918 197
Long term receivables	1 421 297	

Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.

	2012 R	2011 R
<b>Ageing of Receivables from Exchange Transactions:</b>		
<i>(Electricity): Ageing</i>		
Current (0 - 30 days)	3 918 906	3 565 085
31 - 60 Days	845 440	222 731
61 - 90 Days	331 735	194 358
91 - 120 Days	187 514	132 204
+ 120 Days	1 392 577	934 033
<b>Total</b>	<b>6 674 172</b>	<b>5 063 409</b>
<i>(Water): Ageing</i>		
Current (0 - 30 days)	838 440	974 395
31 - 60 Days	376 942	237 048
61 - 90 Days	291 851	223 718
91 - 120 Days	282 437	172 182
+ 120 Days	3 502 951	2 374 473
<b>Total</b>	<b>5 290 641</b>	<b>3 981 818</b>
<i>(Refuse): Ageing</i>		
Current (0 - 30 days)	614 544	805 193
31 - 60 Days	290 322	176 478
61 - 90 Days	189 723	163 882
91 - 120 Days	157 400	114 862
+ 120 Days	2 728 409	2 116 274
<b>Total</b>	<b>3 580 369</b>	<b>3 376 650</b>
<i>(Sewerage): Ageing</i>		
Current (0 - 30 days)	877 001	1 244 151
31 - 60 Days	403 222	276 999
61 - 90 Days	259 265	263 090
91 - 120 Days	218 590	178 218
+ 120 Days	4 185 765	3 472 769
<b>Total</b>	<b>5 919 943</b>	<b>5 435 319</b>
<i>(Other): Ageing</i>		
Current (0 - 30 days)	515 059	2 032 079
31 - 60 Days	486 625	297 239
61 - 90 Days	374 620	313 426
91 - 120 Days	279 184	263 978
+ 120 Days	8 788 090	7 856 939
<b>Total</b>	<b>10 423 578</b>	<b>10 603 721</b>
<i>(Total): Ageing</i>		
Current (0 - 30 days)	6 760 031	8 690 913
31 - 60 Days	2 408 571	1 210 455
61 - 90 Days	1 447 194	1 158 473
91 - 120 Days	1 125 124	851 504
+ 120 Days	20 577 803	16 754 588
<b>Total</b>	<b>32 318 723</b>	<b>28 665 959</b>

	2012 R	2011 R
<b>19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Rates	4 984 251	3 770 854
Other Receivables	583 124	1 327 059
Electricity Deposits	236 141	182 165
Suspense Debtors	346 993	1 144 904
<b>Total Receivables from Non-Exchange Transactions</b>	<b>5 567 376</b>	<b>5 097 923</b>
Less: Allowance for Doubtful Debts	(1 851 466)	(1 918 197)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>3 715 890</b>	<b>3 179 726</b>

The entire provision for bad debts relates to the outstanding rates balance.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

*Ageing of Receivables from Non-Exchange Transactions:*

	2012 R	2011 R
<i>(Rates): Ageing</i>		
Current (0 - 30 days)	1 614 711	1 479 047
31 - 60 Days	457 858	167 829
61 - 90 Days	260 603	135 648
91 - 120 Days	197 874	104 163
+ 120 Days	2 453 206	1 884 104
<b>Total</b>	<b>4 984 251</b>	<b>3 770 854</b>

		2012 R	2011 R
<b>20 OPERATING LEASE ARRANGEMENTS</b>			
<b>20.1 The Municipality as Lessee (Liability)</b>			
Balance on 1 July		13 632	17 699
Movement during the year		(10 573)	(4 067)
Balance on 30 June		<u>3 059</u>	<u>13 632</u>
At the Statement of Financial Position date, where the Municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:			
Up to 1 Year		20 115	78 799
1 to 5 Years		-	20 115
More than 5 Years		-	-
<b>Total Operating Lease Arrangements</b>		<u>20 115</u>	<u>98 914</u>
Matzikama Municipality is leasing a community centre at Klerk, from Transnet (Pty) Ltd for 5 years during the period October 2007 to September 2012 with a escalation of 9% per year.			
The municipality does not engage in any sub-lease arrangements.			
The municipality did not pay any contingent rent during the year.			
<b>20.2 The Municipality as Lessor (Asset)</b>			
Balance on 1 July		41 129	38 052
Movement during the year		(817)	5 077
Balance on 30 June		<u>40 312</u>	<u>41 129</u>
At the Statement of Financial Position date, where the Municipality acts as a lessor under operating leases, it will receive operating lease income as follows:			
Up to 1 Year		79 232	94 644
1 to 5 Years		155 570	199 144
More than 5 Years		1 263	38 920
<b>Total Operating Lease Arrangements</b>		<u>236 065</u>	<u>330 609</u>
This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.			
Matzikama Municipality is leasing land and buildings to different rate payers for periods ranging from 35-120 months with escalations of between 3% and 10% per year.			
The leases are in respect of land and buildings being leased out for periods ranging until 2019.			
The municipality does not engage in any sub-lease arrangements.			
The municipality did not receive any contingent rent during the year.			

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
<b>21</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	<b>Assets</b>		
	Bank Accounts	4 532 946	1 722 252
	Cash Fleets	5 600	6 350
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>4 539 746</b>	<b>1 728 602</b>
	<b>Liabilities</b>		
	ABSA Bank - Account Number 4550-1900-3558-9018	5 176	34 453
	<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>5 176</b>	<b>34 453</b>
	The Municipality has the following bank accounts:		
	<b>Current Accounts - Assets</b>		
	ABSA Bank - Account Number 4550-1900-3558-9018	3 913 695	1 567 937
	ABSA Bank - Account Number 40-5057-5029	-	-
	ABSA Bank - Account Number 40-7513-2644	1 911	121
	ABSA Bank - Account Number 40-7512-9982	11 690	-
	ABSA Bank - Account Number 40-7554-5657	805 650	154 194
	ABSA Bank - Account Number 40-7670-7628	4 532 946	1 722 252
	<b>Current Accounts - Liabilities</b>		
	ABSA Bank - Account Number 4550-1900-3558-9018	5 176	34 453
	<b>ABSA Bank - Account Number 40-5057-5029</b>		
	Cash book balance at beginning of year	1 567 937	5 670 615
	Cash book balance at end of year	3 913 695	1 567 937
	Bank statement balance at beginning of year	1 522 302	6 625 173
	Bank statement balance at end of year	3 913 695	1 522 302
	<b>ABSA Bank - Account Number 40-7513-2644</b>		
	Cash book balance at beginning of year	-	1 900
	Cash book balance at end of year	-	-
	Bank statement balance at beginning of year	-	1 900
	Bank statement balance at end of year	-	-
	<b>ABSA Bank - Account Number 40-7512-9982</b>		
	Cash book balance at beginning of year	121	17 747
	Cash book balance at end of year	1 911	121
	Bank statement balance at beginning of year	121	17 747
	Bank statement balance at end of year	1 911	121
	<b>ABSA Bank - Account Number 40-7554-5657</b>		
	Cash book balance at beginning of year	-	415
	Cash book balance at end of year	11 690	-
	Bank statement balance at beginning of year	-	415
	Bank statement balance at end of year	11 690	-
	<b>ABSA Bank - Account Number 40-7670-7628</b>		
	Cash book balance at beginning of year	154 194	-
	Cash book balance at end of year	805 650	154 194
	Bank statement balance at beginning of year	154 194	-
	Bank statement balance at end of year	805 650	154 194
	<b>ABSA Bank - Account Number 4550-1900-3558-9018</b>		
	Cash book balance at beginning of year	(34 453)	-
	Cash book balance at end of year	-	(34 453)
	Bank statement balance at beginning of year	(34 453)	-
	Bank statement balance at end of year	-	(34 453)
<b>22</b>	<b>PROPERTY RATES</b>		
	<b>Actual</b>		
	<b>Rateable Land and Buildings</b>		
	Residential, Commercial Property, State	24 545 032	19 466 226
	<b>Total Assessment Rates</b>	<b>24 545 032</b>	<b>19 466 226</b>
	<b>Rates:</b>		
	Residential	0,00729 c/R	0,0080 c/R
	Commercial	0,00729 c/R	0,0080 c/R
	Agricultural (2010 - less 65% rebate)	0,00182 c/R	0,0020 c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

1301-31-30

		2012 R	2011 R
<b>23 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Unconditional Grants		32 066 000	26 618 310
Equitable Share		32 066 000	26 618 310
Conditional Grants		38 401 008	35 680 247
CDW's		207 061	200 000
Department of Mineral Resources		1 132 438	2 933 100
Department of Sport and Culture		280 059	156 733
Doringbaai Lobster Holdings		-	61 623
DOW, Vanrhynsdorp		193 638	4 165 833
Revenue Enhancement		300 000	
FMG		-	2 902 315
Hoodia Project		17 030 829	10 645 211
Housing		2 917 000	26 517
Housing Consumer Education		-	426 000
Library Services		-	(37 379)
Lotto		10 684 910	12 085 296
MIG		1 001 000	956 182
MSG		1 192 194	
EPWP		233 143	350 399
RBIG Water		2 576 815	
ACIP		651 922	551 945
Neighbourhood Development		-	256 472
Department of Sport and Culture		-	
Tax Terminus		-	
Exuma Namakwa Sands		-	
West Coast Community Trust		-	
Thusong Centre-DMA		-	
Total Government Grants and Subsidies		70 467 008	62 298 557
Government Grants and Subsidies - Capital		32 342 482	29 855 620
Government Grants and Subsidies - Operating		38 124 526	32 442 937
		<hr/> 70 467 008	<hr/> 62 298 557

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share		32 066 000	26 618 310
Executive and Council		207 061	856 182
Budget and treasury office		32 642 482	32 674 232
Corporate Services		-	482 372
Planning and Development		0	372 172
Health		2 863 767	682 472
Community and social services		-	-
Housing		-	26 517
Public Safety		201 764	34 354
Sport and Recreation		-	-
Environmental Protection		-	-
Waste Management		-	-
Waste Water Management		-	-
Road Transport		1 001 000	551 945
Water		1 192 194	-
Electricity		292 740	-
		<hr/> 70 467 008	<hr/> 62 298 557

The Municipality does not expect any significant changes to the level of grants.

<b>23.1 Equitable share</b>			
Opening balance		32 066 000	(4 718 000)
Grants received		32 066 000	31 338 310
Conditions met - Operating		(32 066 000)	(26 618 310)
Conditions met - Capital		-	-
Grant Expenditure to be recovered		-	-

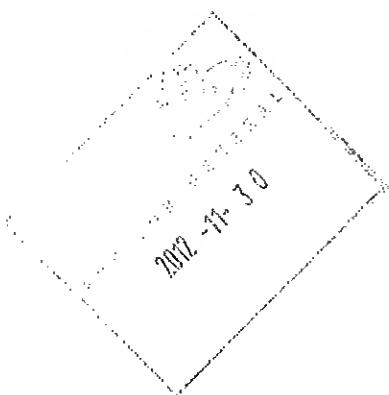
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the Municipality by the National Treasury.

<b>23.2 Local Government Financial Management Grant (FMG)</b>			
Opening balance		(1 250 000)	(451 098)
Grants received		1 250 000	1 000 000
Conditions met - Operating		-	(2 552 315)
Correction of Error - note 36.05		-	1 103 413
Conditions met - Capital		-	(350 000)
Grant Expenditure to be recovered		(9)	(1 250 000)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

<b>23.3 Municipal Systems Improvement Grant</b>			
Opening balance		(790 000)	(690 350)
Grants received		790 000	750 000
Conditions met - Operating		34.57	(805 638)
Correction of Error - note 36.05		-	96 562
Conditions met - Capital		-	(150 684)
Grant Expenditure to be recovered		-	(790 000)

The MSG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

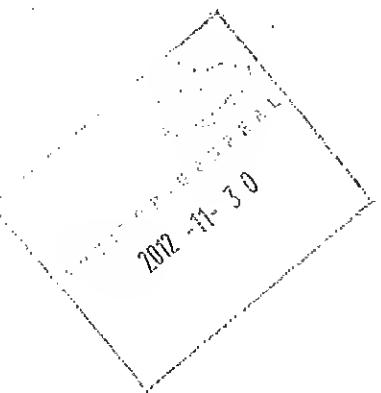


		2012 R	2011 R
<b>23.4</b>	<b>Municipal Infrastructure Grant (MIG)</b>		
Opening balance		(4 636 093)	(159 794)
Grants received		15 321 090	7 609 000
Conditions met - Operating		-	-
Conditions met - Capital		(10 684 910)	(12 085 256)
Grant Expenditure to be recovered		0	(4 636 090)
The grant was used to upgrade infrastructure in previously disadvantaged areas.			
<b>23.5</b>	<b>Housing Grants</b>		
Opening balance		399 412	26 517
Grants received		16 631 417	11 044 623
Conditions met - Operating		-	(26 517)
Conditions met - Capital		(17 030 829)	(10 645 211)
Conditions still to be met		399 412	
Housing grants was utilised for the development of erven and the erection of Imp structures.			
<b>23.6</b>	<b>Department of Mineral Resources</b>		
Opening balance		585 452	1 518 552
Grants received		2 592 000	2 000 000
Conditions met - Operating		(292 740)	(909 803)
Conditions met - Capital		(839 697)	(2 023 237)
Conditions still to be met		2 045 015	585 452
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.			
<b>23.7</b>	<b>Other Grants</b>		
Opening balance		4 119 497	(463 021)
Grants received		8 150 000	10 734 144
Grants withheld		(103 000)	-
Transfer from DVA		98 277	-
Conditions met - Operating		(5 765 726)	(1 567 773)
Conditions met - Capital		(3 787 046)	(4 601 232)
Write off - irrecoverable grant expenditure		37 379	
Conditions still to be met/(Grant Expenditure to be recovered)		2 714 941	4 119 497
Various grants were received from other spheres of government (e.g. Library Services Grant and Neighbourhood Development Grant).			
<b>23.8</b>	<b>Total Grants</b>		
Opening balance		(1 571 729)	(4 947 225)
Grants received		76 606 417	64 474 077
Correction of Error - note 38.05			1 199 974
Grants withheld		(106 000)	
Transfer from DVA		98 277	
Conditions met - Operating		(58 124 526)	(32 480 315)
Conditions met - Capital		(32 342 482)	(29 855 620)
Write off - irrecoverable grant expenditure		37 379	
Conditions still to be met/(Grant expenditure to be recovered)		4 759 956	(1 571 729)
<b>Disclosed as follows:</b>			
Unspent Conditional Government Grants and Receipts		8 176 932	5 104 352
Unpaid Conditional Grants and Receipts		(1 416 075)	(6 678 091)
		4 759 957	(1 571 729)
<b>24</b>	<b>SERVICE CHARGES</b>		
Electricity		64 435 598	51 253 622
Service Charges		65 361 444	51 949 528
Less: Rebates		(925 846)	(896 006)
Water		11 659 931	9 562 843
Service Charges		13 018 705	11 059 403
Less: Rebates		(1 358 774)	(1 536 560)
Refuse removal		6 657 628	5 658 646
Service Charges		9 813 149	8 121 378
Less: Rebates		(3 155 522)	(2 464 739)
Sewerage and Sanitation Charges		9 306 441	8 624 443
Service Charges		13 631 113	12 339 835
Less: Rebates		(4 524 672)	(3 715 392)
Total Service Charges		92 059 597	75 097 454

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

AUDITORS REPORT  
2012 - 11 - 30

		2012 R	2011 R
<b>25 OTHER INCOME</b>			
Advertising		3 852	3 102
Application Fees - Town Planning		50 533	32 235
Building Plan Fees		247 269	198 135
Cemetery		271 584	426 087
Cemetery Digging		9 781	23 914
Driveways		16 096	6 563
Encroachments		60 547	61 457
Housing Redeemed		69 655	147 913
Insurance Claims		535 181	
Photocopies		21 780	22 315
Refuse Bags		628	246
Roadworthy Certificates		652 453	609 559
Subscription Fees		570	175
Sundry Income - Finance		660 321	720 225
Valuation Certificates		50 091	61 199
Licences and permits		837 695	
Land Sales		92 178	40 704
Transfer from DMA		30 816 959	
<b>Total Other Income</b>		<b>34 618 174</b>	<b>2 354 239</b>
<b>26 EMPLOYEE RELATED COSTS</b>			
Bonuses		3 382 300	1 895 473
Contributions for UIF, pensions and medical aids		10 314 297	8 705 915
Housing Subsidy		182 072	199 087
Long service awards		328 319	248 148
Overtime		2 178 134	1 959 299
Post Employment Health		434 315	290 512
Protective Clothing		384 874	363 522
Provision for Staff Leave		1 483 455	922 940
Salaries and Wages		62 450 385	34 031 468
Skills Development Levy and Training		841 926	1 219 158
Travel, motor car, telephone, assistance and other allowances		3 452 241	2 750 402
Correction of error - note 39.03			1 263 921
<b>Total Employee Related Costs</b>		<b>65 432 318</b>	<b>53 849 845</b>
<b>KEY MANAGEMENT PERSONNEL</b>		<b>2012 R</b>	<b>2011 R</b>
Municipal Manager is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of the contract period. All other Directors are permanently appointed.			
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>			
<i>Remuneration of the Municipal Manager: D O'NEILL</i>			
Annual Remuneration		1 082 045	951 180
Performance Bonuses		66 583	122 758
<b>Total</b>		<b>1 128 628</b>	<b>1 073 938</b>
<i>Remuneration of the Acting Director Technical Services (2011 - 10 months)</i>			
Annual Remuneration			621 658
Performance Bonuses			63 350
<b>Total</b>			<b>585 218</b>
<i>Remuneration of the Director Technical Services: J PEKEUR</i>			
Annual Remuneration		652 950	105 579
Performance Bonuses		30 044	-
<b>Total</b>		<b>683 024</b>	<b>105 579</b>
<i>Remuneration of the Director Corporate Services: W CONRADIE</i>			
Annual Remuneration		509 276	138 619
Performance Bonuses		39 113	71 190
<b>Total</b>		<b>528 389</b>	<b>210 009</b>
<i>Remuneration of the Acting Director Corporate Services (2011 - 7 months)</i>			
Annual Remuneration			193 068
Performance Bonuses			-
<b>Total</b>			<b>193 068</b>
<i>Remuneration of the Director Corporate Services (2011 - 2 months)</i>			
Annual Remuneration			95 627
Performance Bonuses			-
<b>Total</b>			<b>95 627</b>
<i>Remuneration of the Director Community Services: J SWARTZ</i>			
Annual Remuneration		619 200	597 408
Performance Bonuses		35 844	77 099
<b>Total</b>		<b>655 044</b>	<b>674 507</b>
<i>Remuneration of the Director Financial Services: K BRUYER</i>			
Annual Remuneration		703 128	678 384
Performance Bonuses		40 703	87 550
<b>Total</b>		<b>743 831</b>	<b>765 934</b>



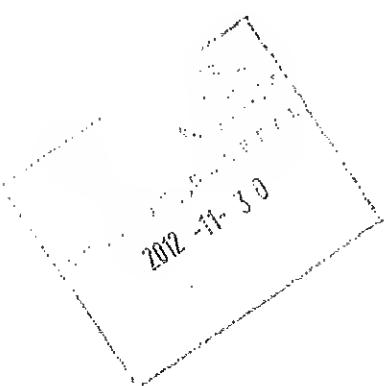
		2012 R	2011 R
27	<b>REMUNERATION OF COUNCILLORS</b>		
	Salaries	3 435 898	2 600 140
	Housing Subsidy	-	54 142
	Travel, motor car, telephone, assistance and other allowances	995 022	601 698
	Contributions for UIF, pensions and medical aids	-	212 152
	<b>Total Councillors' Remuneration</b>	<b>4 432 920</b>	<b>3 668 332</b>
	<i>In-kind Benefits</i>		
	The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.		
28	<b>DEBT IMPAIRMENT</b>		
	Trade Receivables from exchange transactions - Note 18	7 259 448	10 331 222
	Long-Term Receivables	194 209	(780 070)
	VAT Portion of Provision - note 12	-	
	<b>Total Contribution to Debt Impairment</b>	<b>7 453 657</b>	<b>9 551 162</b>
29	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	14 914 370	9 586 251
	Intangible Assets	67 874	66 248
	<b>Total Depreciation and Amortisation</b>	<b>15 002 244</b>	<b>9 672 499</b>
30	<b>IMPAIRMENTS</b>		
	Property, Plant & Equipment	15 282	108 615
	<b>Total Impairments</b>	<b>15 282</b>	<b>108 615</b>
31	<b>FINANCE CHARGES</b>		
	Long-term Liabilities	4 194 895	3 451 895
	Landfill Sites	1 664 552	1 210 129
	Post Employment Health	1 134 360	1 000 194
	Long service awards	173 695	177 252
	<i>Less: Borrowing Cost Capitalised ( Refer note 13 PPE)</i>	7 167 511	5 839 471
	<b>Total Finance Charges</b>	<b>6 383 588</b>	<b>5 839 471</b>
32	<b>BULK PURCHASES</b>		
	Electricity	48 590 251	37 066 182
	Water	3 601 019	2 692 743
	<b>Total Bulk Purchases</b>	<b>52 191 271</b>	<b>39 758 905</b>
33	<b>GRANTS AND SUBSIDIES</b>	2012 R	2011 R
	Namakwa Highschool Fees	-	42 799
	Donations General	165 000	146 250
	Life Guards	115 098	121 553
	Poverty Alleviation	13 811	38 441
	<b>Total Grants and Subsidies</b>	<b>295 007</b>	<b>349 043</b>
34	<b>Operating Grant Expenditure</b>		
	Operating grant expenditure per vote		
	Executive and Council	129 633	857 782
	Budget and treasury office	2 435 687	1 909 609
	Corporate Services	8 990	-
	Planning and Development	1 504 684	1 451 733
	Health	823 270	-
	Community and social services	-	-
	Housing	-	-
	Public Safety	-	-
	Sport and Recreation	202 395	34 354
	Environmental Protection	-	-
	Waste Management	47 387	-
	Waste Water Management	-	-
	Road Transport	21 878	-
	Water	1 047 534	-
	Electricity	258 190	909 603
	<b>Total Operating grant expenditure</b>	<b>6 479 648</b>	<b>5 162 482</b>

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		2012 R	2011 R
35	GENERAL EXPENSES		
	Advertisements	502 254	301 995
	Audi Committee Fees	69 294	22 837
	Audi Fees	1 235 492	1 348 223
	Bank Charges	381 328	302 171
	Cleaning Material	85 809	80 897
	Commission Paid	943 513	111 689
	Computer Charges	990 440	1 102 622
	Consulting fees	256 092	164 737
	Contributions	350 000	176 164
	Development Programmes	22 058	9 089
	Embellishment of Towns	34 643	16 207
	Entertainment Costs	64 442	59 752
	Gas	79 235	65 883
	Information Signs	15 318	64 765
	Insurance	1 387 228	1 230 833
	LED Process Implementation Plan		130 646
	Photocopies	21 270	39 769
	Postage	29 907	30 483
	Printing and Stationary	846 243	727 864
	Public Entertainment	247 426	221 027
	Rental	79 516	119 190
	Security Costs	808 687	581 797
	Service Connection Fees	636 841	659 397
	Services	339 819	230 972
	Subscription Fees	457 910	310 223
	Survey Costs	16 000	2 120
	Telephone	1 524 656	1 383 217
	Training Costs	16 384	19 467
	Travel and Subsistence	1 713 075	1 382 259
	Valuation Costs	504 450	1 102 418
	Other	2 801 172	1 286 707
	VAT Review	8 312	
	Proforma payments	211 725	
	TV Licences	6 500	
	General Expenses	18 684 045	13 283 030

36 CORRECTION OF ERROR IN TERMS OF GRAP 3

- 36.01 (a) No provision for TASK was made in the previous financial year. Expenditure in the current year were paid as back pay for the 2009/10 and 2010/11 years respectively. This error is now corrected retrospectively with the following entries : (D) Accumulated Surplus 2010/11- R1,263,921, (Employee Related Cost),2009/10- R733,559 , (C) Current Employee Provisions R1,997,490.
- (b) A Grant in aid to the Tourism Bureau amounted to R123,838 was not accrued as a creditor in the previous financial year. This is now rectified with the following entries: (D) Accumulated Surplus 2010/11 (Grants and Subsidies) R123,838 (C) Payables from Exchange Transactions R123,838
- (c) Correction of Unpaid Government Grants & Subsidies - MSIG R96,562 and FMG R1 103,413, expenditure wrongfully classified as grant expenditure. This is now rectified with the following entries: (D) Accumulated Surplus 2010/11, R1,199,975 (Government Grants and Subsidies Operating Revenue ) (C) Unpaid Grants and Subsidies R1,199,975 (FMG and MSIG)
- (d) Correction of Acc Depreciation 2010/11 Land & Buildings, incorrectly calculated R1,522. This is now rectified with the following entries: (D) Accumulated Surplus 2010/11 R1,522 ( Depreciation ), (C) Accumulated Depreciation Land & Buildings R1,522
- (e) Correction of Property Plant and Equipment Work in Progress overstated in 2011, expenditure should have been classified as repairs & maintenance. This is now corrected with the following entries: (D) Accumulated Surplus 2010/11 ( Repairs & Maintenance ) R186,676 (C) Infrastructure PPE - R186,676
- (f) Correction opening balance of the Provision Rehabilitation of Landfill sites with the following entries:(D) Accumulated Surplus 2009/2010 - R9,378,429, K1 Provision Landfill site - R9,378,429
- (g) Correction of the Provision Rehabilitation of Landfill site in 2010/11. This is now corrected with the following entries (D) Accumulated Surplus 2010/11 - R132,800, (C) Provision Landfill Site - R132,800
- (h) Correction of Capitalised Restoration Cost opening balance. This is now corrected with the following entries (D) Capitalised Restoration Cost R3,797,988 , (C) Accumulated Surplus R3,797,988
- (i) Correction of Accumulated Depreciation on Capitalised Restoration Cost with the following entries (D) Accumulated Surplus R180,415 , (C) Accumulated Depreciation of Capitalised Restoration Cost R180,415
- (j) Correction of Accumulated Impairments on Capitalised Restoration Cost with the following entries (D) Accumulated Impairments Capitalised Restoration Cost R26,355 , (C) Accumulated Surplus 2009/10 R26,355
- (k) Correction of Accumulated Impairments on Capitalised Restoration cost for 2010/11 with the following entries (D) Accumulated Surplus 2010/11 R22,946 (C) Accumulated Impairments Capitalised Restoration Cost R22,946
- (l) Correction of Accumulated Depreciation Capitalised Restoration Cost opening balance with the following entries (D) Accumulated Surplus 2009/10 R3,102,680 , (C) Accumulated Depreciation Capitalised Restoration Cost R3,102,680
- (m) Correction of VAT Output suspense due to an error occurring in prior year with the following entries (D) VAT on Output Impairment R1 658 077,07, (C) Kortreks BTW R184 041,86 (C) VAT Output R1 089 921,04 (C) Acc Surplus P/for year R084 114,17
- (n) Correction of VAT Input In Suspense due to error in prior year with the following entries (D) BTW Verhuisbaar R180 149,64, (C) BTW Kortreks R1 031 463,18 (D) Acc Surplus Prior year R851 313,34
- (o) Correction of error short term portion Landfill site, useful lives corrected see note 5. This error corrected with the following entries (C) Current Provisions R 2 007 164, (D) Non-Current Provisions R2 007 164



		2011 R	2010 R
<b>36.02</b>	<b>Accumulated Surplus/(Deficit)</b>		
Balance previously reported		269 601 648	258 077 340
Correction of Current Employment Benefits-see note 36.01(a)		(1 997 493)	(733 559)
Correction of Payables from exchange transactions-see note 36.01(b)		(123 636)	
Correction of Unpaid Conditional grants - see note 36.01 (c)		(1 199 975)	
Correction of Acc Depreciation opening balance Land & Buildings - see note 36.01 (d)		(1 522)	
Correction of Infrastructure Property Plant and Equipment; Work in Progress 2011 - see note 36.01 (e)		(186 676)	
Correction of Provision Landfill Sites - see note 36.01 (f)		(9 378 429)	
Correction of Provision Landfill Sites - see note 36.01 (g)		(132 800)	
Correction of Capitalised Restoration Cost - see note 36.01 (h)		3 797 956	3 797 956
Correction of Accumulated Depreciation Capitalised Restoration Cost opening balance - see note 36.01 (i)		(180 415)	
Correction of Accumulated Impairments Capitalised Restoration Cost 2010(11) see note 36.01 (h)		26 355	26 355
Correction of Accumulated Depreciation Capitalised Restoration Cost opening balance- see note 36.01 (j)		(22 946)	
Correction of VAT Output in Suspense - see note 36.01(n)		(3 102 650)	(3 102 650)
Correction of VAT Input in Suspense - See note 36.01(n)		354 114	354 114
Correction of Short Term portion Landfill site - See note 36.01(o)		(851 313)	(851 313)
<b>Restated Balance</b>		<b>256 632 019</b>	<b>248 219 803</b>
<b>36.03</b>	<b>Current Employee Benefits</b>		
Balance previously reported		5 086 309	4 143 694
Correction of Current Employment Benefits-see note 36.01(a)		1 997 490	733 559
<b>Total</b>		<b>7 083 799</b>	<b>4 877 263</b>
<b>36.04</b>	<b>Payables from exchange transactions</b>		
Balance previously reported		20 523 932	
Correction of Current Employment Benefits-see note 36.01(b)		123 636	
<b>Total</b>		<b>20 647 568</b>	
<b>36.05</b>	<b>Unpaid Grants and Subsidies</b>		
Balance previously reported		7 876 066	
Correction of Unpaid Government Grants and Subsidies note 35.01(c)		(1 199 975)	
<b>Total</b>		<b>6 676 091</b>	
<b>36.06</b>	<b>Accumulated Depreciation Land &amp; Buildings</b>		
Balance previously reported		(1 399 266)	
Correction of opening balance Acc Depreciation Land and Buildings see note 36.01 (d)		(1 522)	
<b>Total</b>		<b>(1 391 788)</b>	
<b>36.07</b>	<b>Infrastructure PPE at Cost</b>		
Balance previously reported		228 604 232	
Correction of Infrastructure PPE at Cost see note 36.01 (e)		(186 676)	
<b>Total</b>		<b>228 417 556</b>	
<b>36.08</b>	<b>Non- Current Provisions</b>		
Balance previously reported		16 177 721	16 974 758
Correction of 2010/2011 Finance Cost see note 36.01 (g)		132 600	
Correction of error- see note 36.01(d)		2 007 164	
Correction of 1 July 2010 balance see note 36.01 (f)		9 378 429	9 378 429
<b>Total</b>		<b>27 695 114</b>	<b>26 353 165</b>
<b>36.09</b>	<b>Property Plant and Equipment : Capitalised Restoration Cost- Landfill Site</b>		
Balance previously reported		4 959 302	4 959 302
Correction of 1 July 2010 balance - see note 36.01 (h)		3 797 956	3 797 956
<b>Total</b>		<b>8 757 258</b>	<b>6 757 258</b>
<b>36.10</b>	<b>Property Plant and Equipment: Accumulated Depreciation Capitalised Restoration cost</b>		
Balance previously reported		4 355 999	4 044 751
Correction of 1 July 2010 balance -see note 36.01 (j) and 36.01 (l)		3 076 326	3 076 326
Correction of 2010/11 Accumulated Impairments Landfill Site- see note 36.01 (k)		22 946	
Correction of 2010/2011 Depreciation - see note 36.01 (l)		180 415	
<b>Total</b>		<b>7 635 686</b>	<b>7 121 077</b>
<b>36.11</b>	<b>Current Assets: TAXES + VAT Output suspense</b>		
Balance previously reported		3 834 593	
Correction of 1 July 2010 balance - see note 36.01 (m)		(384 114)	
<b>Total</b>		<b>3 450 484</b>	
<b>36.12</b>	<b>Current Assets: TAXES - VAT Input suspense</b>		
Balance previously reported		2 059 720	
Correction of 1 July 2010 balance - see note 36.01 (n)		(851 313)	
<b>Total</b>		<b>1 208 407</b>	
<b>36.13</b>	<b>Current Provisions : Landfill site</b>		
Balance Previously Reported		2 007 164	
Correction of error - see note 36.01 (o)		(2 007 164)	
<b>Total</b>		<b>0</b>	

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		2012 R	2011 R
<b>37 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b>			
Surplus/(Deficit) for the year		38 187 109	7 995 164
<b>Adjustments for:</b>			
Depreciation and Amortisation		15 002 244	9 672 498
Gain on disposal of property, plant and equipment		76 798 694	(2 100)
Grants received		64 474 077	
Grants recognised as revenue		(70 467 006)	(61 098 582)
Debt Impairment		10 331 232	
Bad Debt Written off		(5 198 028)	(2 256 469)
Contribution from/to employee benefits - non-current		2 070 689	1 716 106
Contribution from/to employee benefits - non-current - expenditure incurred		(682 336)	(781 795)
Actuarial Losses		4 200 157	1 884 335
Actuarial Gains		(30 092)	
Contribution to employee benefits - current		5 046 273	5 186 171
Contribution to employee benefits - current - expenditure incurred		(5 325 671)	(3 080 208)
Contribution to provisions - non-current		1 664 562	1 342 929
Impairment written off		15 282	108 615
Operating lease income accrued		817	(5 077)
Operating lease expenses accrued		(10 573)	(4 067)
Loss on disposal of Property, Plant and Equipment		899 301	
Transfer from DVA			
Operating Surplus before changes in working capital		(30 467 224)	
Changes in working capital		37 894 344	38 252 038
Increase in Payables from Exchange Transactions		(8 047 646)	5 104 332
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts		1 175 277	7 884 777
Increase in Unspent Public Contributions		(713 859)	713 859
Increase/(Decrease) in Taxes		(3 079 401)	780 456
(Increase)/Decrease in Inventory		(583 013)	(30 017)
(Increase)/Decrease in Receivables from Exchange Transactions		(3 660 509)	(4 584 292)
(Increase)/Decrease in Receivables from Non-Exchange Transactions		(169 452)	339 549
(Increase)/Decrease in Unpaid Public Contributions		(616 689)	
<b>Cash generated/(absorbed) by operations</b>		<b>29 816 698</b>	<b>41 456 370</b>
<b>38 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Cash Floats - Note 21		6 800	6 950
Bank - Note 21		4 532 945	1 722 252
Bank Overdraft - Note 21		(5 176)	(34 453)
<b>Total cash and cash equivalents</b>		<b>4 534 570</b>	<b>1 694 149</b>
<b>39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>			
Cash and Cash Equivalents - Note 38		4 534 570	1 694 149
Less:		7 337 614	8 554 846
Unspent Committed Conditional Grants - Note 10		8 178 902	5 104 352
VAT Payable - Note 12		1 160 633	3 450 184
<b>Net cash resources available for internal distribution/(resources utilised for internal distribution)</b>		<b>(2 800 044)</b>	<b>(6 850 697)</b>
<b>40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>			
Long-term Liabilities - Note 3		46 980 091	27 619 884
Used to finance property, plant and equipment - at cost		(46 980 091)	(27 619 884)
Cash invested for repayment of long-term liabilities		*	*

Long-term Liabilities have been utilized in accordance with the Municipal Finance Management Act.

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		2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%) (Variance)
<b>41 BUDGET COMPARISONS</b>					
<b>41.1 Operational</b>					
<b>Revenue by source</b>					
Property Rates		24 546 082	24 524 280	21 622	0%
Government Grants and Subsidies - Capital		33 349 855	32 469 571	879 924	3%
Government Grants and Subsidies - Operating		38 124 525	39 535 010	(1 411 464)	-3%
Public Contributions and Donations		2 233 455	1 000 000	1 323 455	132%
Actuarial Gains					0%
Fines		2 268 247	1 360 000	908 247	67%
Service Charges		82 059 597	87 986 300	4 073 297	5%
Rental of Facilities and Equipment		2 722 217	2 045 100	677 117	33%
Interest Earned - external investments		384 019	700 000	(315 981)	-45%
Interest Earned - outstanding debtors		1 435 251	1 500 000	(64 749)	-4%
Licences and Permits		5 009	5 100	(91)	-2%
Agency Services		1 559 392	705 000	854 392	123%
Other Income		24 613 174	5 702 600	28 915 574	507%
Gain on disposal of Property, Plant and Equipment			100 000	(100 000)	-100%
		<u>233 405 545</u>	<u>197 633 941</u>	<u>35 771 604</u>	<u>18%</u>
<b>Expenditure by nature</b>					
Employee Related Costs		65 432 318	65 275 335	(156 983)	0%
Remuneration of Councillors		4 432 920	4 069 695	(363 224)	9%
Debt Impairment		7 453 657	2 000 000	(5 453 657)	273%
Collection Costs		616 121	250 000	(366 121)	145%
Depreciation and Amortisation		15 002 244	10 201 350	(4 800 694)	47%
Impairment		15 282	-	(15 282)	-100%
Repairs and Maintenance		15 828 180	17 757 000	1 928 820	-11%
Actuarial losses		4 200 157	-	(4 200 157)	-100%
Finance Charges		6 368 588	3 721 900	(2 666 688)	72%
Bulk Purchases		52 191 271	48 550 000	(3 641 271)	6%
Contracted services		198 999	30 000	(168 999)	563%
Grants and Subsidies		295 007	260 000	(35 007)	13%
Operating Grant Expenditure		6 479 648	3 934 000	(2 495 648)	63%
General Expenses		16 681 045	16 514 550	(169 495)	1%
Loss on disposal of Property, Plant and Equipment					0%
Less Inter-Departmental Charges					
		<u>195 218 437</u>	<u>172 613 831</u>	<u>(22 604 606)</u>	<u>13%</u>
<b>Net Surplus for the year</b>		<u>38 187 108</u>	<u>25 020 110</u>	<u>13 166 998</u>	<u>53%</u>
<b>41.2 Expenditure by Vote</b>					
Budget and treasury office		25 226 290	18 254 492	6 951 798	38%
Community and Social Services		6 994 923	5 277 819	1 717 104	33%
Corporate Services		22 260 599	18 426 394	3 854 895	21%
Electricity		55 679 447	52 213 871	4 465 576	8%
Environmental Protection		50 067	50 704	(637)	-1%
Executive and Council		13 635 693	15 412 658	(1 777 175)	-12%
Housing		857 791	796 822	60 969	6%
Other	Tourism	845 007	838 324	7 683	1%
Planning and Development		3 664 111	3 960 645	(276 534)	-7%
Public Safety		6 565 495	5 268 519	1 299 976	25%
Road Transport		18 850 549	17 676 485	1 174 064	7%
Sport and Recreation		6 513 201	6 751 642	(238 441)	-4%
Waste Management		6 429 061	5 035 873	1 063 188	20%
Waste Water Management		11 860 034	10 182 714	1 677 320	15%
Water		14 883 073	12 326 659	2 557 214	21%
		<u>195 218 437</u>	<u>172 613 831</u>	<u>22 604 606</u>	<u>13%</u>
<b>41.3 Capital expenditure by GFS</b>					
Budget and treasury office		2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%) (Variance)
Community and Social Services		1 355 965	2 220 000	(864 035)	-39%
Corporate Services		635 920	850 800	(223 880)	-26%
Electricity		554 128	2 255 000	(1 650 872)	-74%
Environmental Protection		3 110 164	1 916 100	1 192 064	62%
Executive and Council		5 582 178	8 350 000	(767 822)	-12%
Housing		16 457 337	10 742 701	5 714 636	53%
Other					0%
Planning and Development		38 448	60 000	(21 552)	-35%
Public Safety		583 795	630 000	(46 205)	-39%
Road Transport		5 325 021	5 289 658	55 153	1%
Sport and Recreation		303 443	275 000	28 443	21%
Waste Management		13 577 153	21 193 355	(7 616 202)	-35%
Waste Water Management		1 129 098	1 304 769	(175 691)	-13%
		<u>48 623 652</u>	<u>53 079 613</u>	<u>(4 555 961)</u>	<u>-9%</u>
<b>42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>					
<b>42.1 Unauthorised expenditure</b>					
Reconciliation of unauthorised expenditure:					
Opening balance					
Unauthorised expenditure current year - capital				25 489 995	10 225 214
Unauthorised expenditure current year - operating				7 020 256	1 359 414
Written off by council				27 700 441	23 011 392
Transfer to receivables for recovery					(9 106 024)
Unauthorised expenditure awaiting authorisation by municipal council				<u>60 210 731</u>	<u>25 489 995</u>
<b>Incident</b>		<b>Disciplinary steps/criminal proceedings</b>			
Over expenditure on votes	None			31 917 692	17 125 995
Utilisation of grant monies for operational expenditure	None			2 633 044	6 650 697
				<u>34 720 736</u>	<u>23 986 692</u>

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		2012 R	2011 R
<b>42.2</b>	<b><u>Fruitless and wasteful expenditure</u></b>		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	613 189	92 273
	Fruitless and wasteful expenditure current year	-	520 916
	Written off by council	-	-
	Transfer to receivables for recovery	-	-
	Fruitless and wasteful expenditure awaiting further action	613 189	613 189
	<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
	Interest and penalties on late payment of creditors	None	
	SARS interest and penalties relating to VAT	None	
			520 916
			520 916
<b>42.3</b>	<b><u>Irregular expenditure</u></b>		
	Reconciliation of irregular expenditure:		
	Opening balance	33 273 685	29 557 375
	Irregular expenditure current year	5 862 922	15 058 941
	Written off by council	-	(10 340 631)
	Transfer to receivables for recovery	-	-
	Condonement supported by council	-	-
	Irregular expenditure awaiting further action	39 136 607	33 273 685
	Irregular expenditure awaiting condonement from National Treasury		
	<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
	Purchases made without tax clearance certificates	None	
	Additional payments made to employees i.e. Essential Motor Scheme	None	
	Payments to Ebenezer Farm	None	54 988
	Members of State - refer to 43.08	None	181 582
	BBBEE points incorrectly calculated - Refer note 43.09	None	5 486 854
			139 500
			5 862 922
			15 058 941
	Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.		
<b>42.4</b>	<b><u>Material Losses</u></b>		
	Water distribution losses		
	• Kilo litres disinfected/purified/purchased	4 472 496	4 182 796
	• Kilo litres lost during distribution	1 598 747	1 350 715
	• Percentage lost during distribution	85.75%	32.29%
	Electricity distribution losses		
	• Units purchased (Kwh)	78 849 703	70 609 150
	• Units lost during distribution (Kwh)	22 386 248	13 350 195
	• Percentage lost during distribution	29.53%	18.92%
		2012 R	2011 R
<b>43</b>	<b><u>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</u></b>		
<b>43.01</b>	<b><u>Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS</u></b>		
	Opening balance		
	Council subscriptions	416 016	282 535
	Amount paid - current year	(416 016)	(282 535)
	Amount paid - previous years	-	-
	Balance unpaid (Included in creditors)	-	-
<b>43.02</b>	<b><u>Audits fees - (MFMA 125 (1)(b))</u></b>		
	Opening balance		
	Current year audit fee		
	External Audit - Auditor-General Audit Committee	1 303 786	1 368 560
	Amount paid - current year	1 235 492	1 346 223
	Amount paid - previous year	68 234	22 337
	Balance unpaid (Included in creditors)	(619 039)	(1 388 560)
		664 697	-
<b>43.03</b>	<b><u>VAT - (MFMA 125 (1)(b))</u></b>		
	Opening balance		
	Amounts received - current year	(2 629 826)	(1 428 451)
	Amounts paid - current year	(2 486 355)	(2 732 499)
	Amounts received - previous year	3 303 304	220 155
	Amounts claimed - current year	(105 328)	(1 603 020)
	Closing balance - (Payable) Receivable	2 257 597	2 911 989
		339 377	(2 629 826)
	VAT in suspense due to cash basis of accounting		
	Input VAT	1 658 630	1 208 407
	Output VAT	(1 160 683)	(820 658)
	Claimable	497 947	387 749
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		

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		2012 R	2011 R
<b>43.04 PAYE, SDA and UIF - [MFMA 125 (1)(b)]</b>			
Opening balance			
Current year payroll deductions and Council Contributions		7 859 722	5 489 906
Amount paid - current year		(7 214 523)	(5 489 906)
<b>Balance unpaid (included in creditors)</b>		<u>645 199</u>	<u>—</u>
<b>43.05 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>			
Opening balance			
Current year payroll deductions and Council Contributions		13 356 982	10 532 259
Amount paid - current year		(13 356 982)	(10 532 259)
<b>Balance unpaid (included in creditors)</b>		<u>—</u>	<u>—</u>
<b>43.06 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</b>		Outstanding more than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts for more than 90 days as at 30 June:			
Councillor F Bam		914	4 233
Councillor WH Nell		51 001	81 922
Councillor EL Mhlongo		35 267	54 470
Councillor MJ Smith		1 280	3 216
Councillor P Bok		68 463	143 841
<b>Total Councillor Arrear Consumer Accounts</b>		<u>68 463</u>	<u>143 841</u>
<b>43.07 Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) &amp; (b)</b>			
		Single Supplier R	Impractical R
		Emergency R	Total R
Jan-11		1 309 115	1 309 115
Aug-11		2 569 764	2 569 764
Sep-11		2 435 791	2 435 791
Oct-11		1 157 912	1 157 912
Nov-11		3 043 358	3 043 358
Dec-11		952 273	952 273
Jan-12		1 608 054	1 608 054
Feb-12		1 528 511	1 528 511
Mar-12		648 473	648 473
Apr-12		2 438 701	2 438 701
May-12		1 123 582	1 123 582
Jun-12		2 437 639	2 437 639
		<u>21 261 513</u>	<u>21 261 513</u>
<b>43.08 No declaration by suppliers as required in Section 13(c) of the Supply Chain Management Regulations</b>		2012 R	2011 R
The contract values of suppliers who did not indicate on the registration forms that members are in service of the state or has been in service of the state in the previous twelve months, are as follows:			
R 10 000 – R 199 999		5 486 854	12 767 762
Greater than R 200 000		—	1 659 493
		<u>5 486 854</u>	<u>14 427 255</u>
<b>43.09 BBBEE points according to Preferential Procurement Regulation 2011 section 5 was incorrectly calculated</b>			
Vredendal Motors - Tender number T43/2011		139 500	—
		<u>139 500</u>	<u>—</u>
<b>43.10 Budget: Non Compliance with section 29 of the MFMA and Sec 72 of the municipal budget regulations</b>			
Unforeseen and Unavoidable expenditure was not appropriated in the adjustment budget			
The unforeseen and unavoidable expenditure was not appropriated in the adjustment budget			
The adjustment budget appropriating the unforeseen and unavoidable expenditure was not passed within 60 days after the expenditure was incurred			
The mayor did not approve any unforeseen and unavoidable expenditure			
The total unforeseen and unavoidable expenditure for the current year were more than 5% of the municipality			
<b>43.11 Non-Compliance with Budget &amp; Reporting regulations</b>			
Non-Compliance with MFMA Sec 24(3) : The annual budget was not submitted within 10 working days to the relevant provincial treasury and National Treasury			
Non-Compliance with Municipal Budget & Reporting Regulations 26(1) : The adjustment budget was not made public within 10 working days after approval			
Non-Compliance MFMA Sec 28(7) : The adjustment budget and amended SDBIP was not submitted within 10 working days after approval			
Non-Compliance MFMA Sec 72(1) and Sec 34(1) of Budget & Reporting Regulations: The municipality did not submit the Sec 72 report on due date, and did not place the Sec 72 report on the website as prescribed within 5 days after approval			
<b>44 CAPITAL COMMITMENTS</b>			
<b>Commitments in respect of capital expenditure:</b>			
Approved and contracted for:			
Infrastructure		2 383 913	11 165 343
		<u>2 383 913</u>	<u>11 165 343</u>
This expenditure will be financed from:			
Government Grants		1 749 053	11 165 343
External Loans		634 860	—
		<u>2 383 913</u>	<u>11 165 343</u>

**FINANCIAL RISK MANAGEMENT**

2012  
R 2011  
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The Municipality does not engage in foreign currency transactions.

**(b) Price risk**

The Municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the Municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follows:

1% (2010 - 1%) Increase in Interest rates	(503 427)	(320 059)
0.5% (2010 - 0.5%) Decrease in Interest rates	251 714	160 029

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to do.

All rates and services are payable within 30 days from invoice date. Refer to note 18 and 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Receivables of R4 million are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 18 and 19 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

	2012 %	2012 R	2011 %	2011 R
The provision for bad debts could be allocated between the different classes of debtors as follows:				
<u>Non-Exchange Receivables</u>				
Rates	9.97%	1 851 488	11.63%	1 918 197
<u>Exchange Receivables</u>				
Long Term Receivables	7.66%	1 421 237	0.00%	0
Service Charges	82.37%	15 268 950	88.37%	14 582 095
	100.00%	16 561 712	100.00%	16 560 292

Bad debts written off per debtor class:

<u>Exchange Receivables</u>				
Service Charges	100.00%	5 198 028	100.00%	2 256 459
	100.00%	5 198 028	100.00%	2 256 459

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables, Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	1 421 236	3 055 829
Receivables from exchange transactions	17 070 557	14 116 943
Receivables from non-exchange transactions	3 715 890	3 179 726
Cash and Cash Equivalents	4 539 746	1 728 602
Unpaid conditional grants and subsidies	1 416 975	5 676 091
	28 154 404	28 757 191

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(a) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 2 and 5 years	Between 5 and 10 years	Over 10 years
<b>2012</b>				
Non-current Provisions	-	38 538 761	-	-
Capital	-	24 955 793	-	-
Interest	-	3 582 959	-	-
Long Term Liabilities	14 304 636	41 339 618	31 499 274	-
Payables from Exchange Transactions	19 918 414	-	-	-
Unspent conditional government grants and receipts	6 176 932	-	-	-
	<b>40 399 652</b>	<b>79 879 079</b>	<b>31 499 274</b>	<b>-</b>
<b>2011</b>				
Non-current Provisions	-	32 061 715	-	-
Capital	-	27 695 115	-	-
Interest	-	4 365 600	-	-
Long Term Liabilities	10 205 006	25 508 789	12 849 382	-
Payables from Exchange Transactions	19 243 071	-	-	-
Unspent conditional government grants and receipts	5 104 962	-	-	-
	<b>34 552 440</b>	<b>57 570 504</b>	<b>12 849 382</b>	<b>-</b>

46 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

46.1 Financial Assets

<b>Financial Instruments at amortised cost</b>			
Long-Term Receivables		552 584	1 567 146
Receivables from exchange transactions		17 070 557	14 116 943
Current Portion of Long-term Receivables		658 652	1 468 683
Cash and Cash Equivalents		4 539 745	1 728 602
Receivables from Non-Exchange transactions		3 715 890	3 179 720
Unpaid Conditional Grants		2 003 653	6 676 091
Total carrying amount of financial assets		<b>23 781 092</b>	<b>28 757 191</b>

46.2 Financial Liability

<b>Financial Instruments at amortised cost</b>			
Long-term Liabilities		48 930 091	27 619 684
Payables from exchange transactions		21 623 095	20 647 618
Current Portion of Long-term Liabilities		7 590 407	6 073 773
Cash and Cash Equivalents		5 176	34 453
Unspent Government Grants & Subsidies		6 176 932	6 104 362
Unspent Public Contributions		-	713 659
		<b>82 675 700</b>	<b>60 194 149</b>

47 EVENTS AFTER THE REPORTING DATE

No such instances

48 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

49 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

50 CONTINGENT LIABILITY

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

Council currently has a dispute with the Bargaining Council with regards to the grading of the municipality. TASK was implemented on the current grading, with the condition that back-pay will be paid out to employees eligible if the Bargaining council approves the higher grading. Therefore an amount of R1,285,851 was calculated as possible back-pay due in 2012/13.

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from October 2009.

51 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers/residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

51.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 16 to the Annual Financial Statements.

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MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

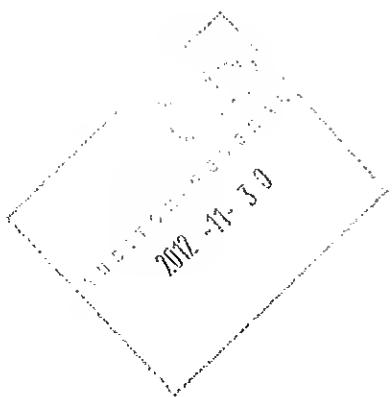
51.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

51.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Supplier	Relationship	Department	Amount
Autopage Cellular	Owner: Husband - Uza Kleinhans	Budget & Treasury	384 578
H D Meyer	Owner: Husband - Helen Meyer	Budget & Treasury	22 455
K C Verkoeg	Owner: Husband - Dene van Wyk	Budget & Treasury	23 374
Ofantsrivier Paints & Hardware BX	Member	Councillor	4 438
Total			434 848



**APPENDIX A - Unaudited  
MATZIKAMA MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

EXTERNAL LOANS	Rate	Loan Number	Redeemable		Balance at 30 JUNE 2011	Balance at 30 JUNE 2011 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
<b>ANNUITY LOANS</b>									
DBSA accrued payment									
DBSA	10.00%	10096	2015	6306306333	787 770	787 770	-	182 478	605 292
DBSA	7.08%	100035	2012	6306306334	509 635	509 635	-	345 312	164 323
DBSA	10.80%	101025	2014	6306306335	1 945 632	1 945 632	-	581 234	1 364 398
DBSA	9.92%	101953	2015	6306306336	1 932 271	1 932 271	-	414 888	1 517 383
DBSA	5.70%	102857	2018	6306306343	3 111 111	3 111 111	-	444 444	2 666 667
DBSA	6.75%	103143(1)	2016	6306306344	1 054 656	1 054 656	-	178 352	878 303
DBSA	6.75%	103143(2)	2018	6306306345	1 885 596	1 885 596	-	168 551	1 717 045
DBSA	11.14%	103748	2020	6306306346	14 120 720	14 120 720	34 -57	874 693	#VALUE!
DBSA		WC12007362.1		6306306356	-		10 300 000	102 583	10 197 417
DBSA		WC12007362.2		6306306357	-		1 200 000	39 271	1 160 729
DBSA		1007262		6306306358			14 000 000	-	14 000 000
INCA - Water and Sewerage	9.75%	3158	2015	6306306332	1 664 737	1 664 737	-	356 795	1 307 942
ABSA - Water Scheme	9.77%	40-6255-0510	2015	6306306330	1 554 901	1 554 901	-	357 718	1 197 184
ABSA - Capital Works 2005/2006	9.15%	40-6512-9293	2016	6306306331	2 181 981	2 181 981	-	381 999	1 799 982
ABSA - Capital Works 2008/2009	Prime - 2%	40-7292-9600	2018	6306306355	1 586 014	1 586 014	-	181 338	1 404 676
<b>Total Annuity Loans</b>					<b>32 335 024</b>	<b>33 693 657</b>	<b>25 500 000</b>	<b>4 323 169</b>	<b>#VALUE!</b>

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**APPENDIX B - Unaudited**  
**MATZIKAMA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**  
**MUNICIPAL VOTES CLASSIFICATION**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
(856 182)	4 799 538	3 943 356	Municipal Manager	(3 502 882)	6 265 483	2 762 601
(1 084 732)	5 820 276	4 735 543	Mayor and Council	(1 217 400)	7 370 206	6 152 806
(1 418 313)	2 471 568	1 053 255	Economic Development/Planning	(2 323 465)	2 607 172	283 707
(750)	447 718	446 968	Tourism	-	646 007	646 007
(168 536)	3 787 886	3 619 349	Other Admin	(34 556)	4 050 281	4 015 725
(503 338)	7 573 581	7 070 243	Human Resources	(650 227)	10 379 338	9 729 111
(694 177)	4 058 453	3 364 276	Property Services	(56 483)	5 104 660	5 048 177
(69 678 255)	23 567 768	(46 110 486)	Budget and Treasury Office	(112 002 623)	25 226 290	(86 776 334)
	2 360 740	2 360 740	Information Technology	-	2 746 620	2 746 620
(291 827)	463 674	171 847	Town Planning/Building Enforcement	(380 209)	1 076 939	696 730
(451 332)	2 121 447	1 670 115	Libraries and Archives	(2 889 013)	2 872 486	(16 527)
(410 966)	1 368 436	957 470	Community Halls and Facilities	(182 200)	2 140 195	1 957 995
(450 002)	1 079 408	629 406	Cemeteries & Crematoriums	(281 765)	1 982 242	1 700 477
(338 183)	755 236	417 052	Housing	(229 674)	867 791	34 -57
(1 503 486)	9 684 451	8 180 966	Other	(3 273 597)	14 290 868	11 017 270
(1 641 857)	6 081 157	4 439 300	Sport and Recreation	(1 979 316)	8 563 268	4 583 953
	-	-	Biodiversity & Landscape	-	-	-
(8 121 756)	5 414 153	(2 707 603)	Solid Waste	(9 441 789)	8 429 081	(3 012 728)
(12 339 835)	7 315 689	(5 024 146)	Sewerage	(13 694 269)	9 493 619	(4 200 650)
	2 349 477	2 349 477	Storm Water Management	-	2 366 415	2 366 415
(565 288)	11 157 490	10 592 202	Roads	(3 912)	9 888 441	9 884 529
(3 059 516)	809 543	(2 249 974)	Vehicle Licensing and Testing	(3 059 541)	1 277 735	(1 781 806)
(11 099 403)	9 730 757	(1 368 648)	Water Distribution	(13 480 736)	14 893 873	1 413 137
(52 859 331)	46 149 042	(8 710 289)	Electricity Distribution	(64 721 888)	56 490 922	(8 230 986)
	174 413	174 413	Street Lighting	-	188 525	188 525
(167 537 066)	159 541 902	(7 995 164)	Total	(233 405 545)	195 218 437	(38 825 225)

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**APPENDIX C - Unaudited**  
**MATZIKAMA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
(69 678 256)	24 377 467	(45 300 789)	Budget and treasury office	(112 002 623)	25 226 290	(86 776 334)
(1 312 300)	4 569 291	3 256 991	Community and Social Services	(3 352 978)	6 994 923	3 641 945
(1 366 052)	18 883 079	17 517 027	Corporate Services	(741 266)	22 280 899	21 539 633
(52 859 331)	46 323 454	(6 535 877)	Electricity	(64 721 888)	56 679 447	(8 042 441)
(5 546)	152 296	146 750	Environmental Protection	(5 045)	50 067	45 023
(1 940 915)	8 707 697	6 766 782	Executive and Council	(4 720 282)	13 635 689	8 915 408
(338 183)	755 236	417 052	Housing	(229 674)	867 791	638 117
	447 718	447 718	Other	-	646 007	646 007
(1 710 891)	2 935 242	1 224 352	Planning and Development	(2 703 673)	3 684 111	980 438
(1 494 171)	4 142 520	2 648 349	Public Safety	(2 253 550)	6 566 495	4 312 945
(3 634 119)	19 858 442	16 224 323	Road Transport	(4 083 501)	18 890 549	14 807 048
(1 636 312)	5 928 861	4 292 549	Sport and Recreation	(1 974 271)	6 513 201	4 538 930
(8 128 183)	5 468 641	(2 659 541)	Waste Management	(9 441 789)	6 429 061	(3 012 728)
(12 333 408)	7 261 201	(5 072 207)	Waste Water Management	(13 694 269)	11 860 034	34 57
(11 099 403)	9 730 757	(1 368 646)	Water	(13 480 736)	14 893 873	1 413 137
(167 537 067)	159 541 902	(7 995 165)	Total	(233 405 545)	195 218 437	(36 352 873)

**APPENDIX D - Unaudited**  
**MATZIKAMA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	1 JULY 2011 R	Balance R	Contributions during the year R	Correction of error R	Transferred R	Operating Expenditure during the year Transferred to Revenue R	Capital Expenditure during the year Transferred to Revenue R	Grants Withheld R	Balance 30 JUNE 2012 R	Unspent 30 JUNE 2012 (Credit) R	Unpaid 30 JUNE 2012 (Debt) R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>											
<b>National Government Grants</b>											
Equitable Share	-	32 086 000	-	-	-	(32 086 000)	(282 740)	(839 687)	-	2 045 015	-
Department of Mineral Resources	585 452	2 592 000	1 103 413	-	-	-	-	-	-	-	-
FMG	(2 353 413)	1 250 000	-	-	-	-	-	-	-	-	-
MG	(4 656 090)	15 321 000	-	-	-	-	-	-	-	-	-
MSIG	(886 562)	790 000	96 562	-	34-57	-	(10 684 910)	-	0	0	-
Neighbourhood Development	2 071 594	1 650 000	-	-	-	-	(2 576 815)	-	-	-	-
EPWP	1 001 000	-	-	-	-	(1 001 000)	-	-	-	-	-
RBIG	-	-	-	-	-	(1 192 194)	-	-	-	-	-
DWAF	-	292 000	-	-	-	-	(193 638)	-	-	(1 192 194)	-
ACIP	-	-	-	-	-	-	(233 143)	-	-	8 362	-
IDC	-	800 000	-	-	-	-	-	-	900 000	900 000	(233 143)
<b>Total National Government Grants</b>	<b>(5 219 019)</b>	<b>55 672 000</b>	<b>1 199 975</b>	<b>-</b>	<b>(34 551 924)</b>	<b>(14 528 203)</b>	<b>(106 000)</b>	<b>2 456 819</b>	<b>3 892 159</b>	<b>(1 425 337)</b>	<b>-</b>
<b>Provincial Government Grants</b>											
CDW's	-	288 000	-	-	-	(207 061)	-	-	-	-	-
Department of Sport and Culture	2 047 903	-	-	-	-	(201 784)	(78 295)	-	79 939	78 939	-
Housing	399 412	16 631 417	-	-	-	-	(17 030 829)	-	1 767 844	1 767 844	-
Library Services	-	2 917 000	-	-	-	(2 863 787)	(53 223)	-	-	-	-
Taxi Terminus	-	-	-	-	-	-	-	-	0	0	-
Revenue Enhancement	-	300 000	-	-	-	(300 000)	-	-	-	-	-
Public Transport Infrastructure	-	1 000 000	-	-	-	-	(651 922)	-	348 078	348 078	-
Thusong Centre-DMA	-	-	-	-	-	-	-	-	98 277	98 277	-
<b>Total Provincial Government Grants</b>	<b>2 447 315</b>	<b>21 134 417</b>	<b>-</b>	<b>98 277</b>	<b>(3 572 553)</b>	<b>(17 814 279)</b>	<b>-</b>	<b>-</b>	<b>2 293 137</b>	<b>2 293 137</b>	<b>-</b>
<b>TOTAL GOVERNMENT GRANTS</b>	<b>(2 771 704)</b>	<b>76 986 417</b>	<b>1 189 375</b>	<b>98 277</b>	<b>(38 124 566)</b>	<b>(32 342 482)</b>	<b>(106 000)</b>	<b>4 759 857</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Grant Providers</b>											
Exxaro Namakwa Sands	-	-	-	-	-	-	-	-	-	-	-
West Coast Community Trust	713 859	2 000 000	-	-	-	(2 323 465)	(390 395)	(616 689)	(616 689)	-	(616 689)
<b>Total Other Grant Providers</b>	<b>713 859</b>	<b>2 000 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 323 465)</b>	<b>(1 007 083)</b>	<b>-</b>	<b>(616 689)</b>	<b>-</b>	<b>(616 689)</b>
<b>TOTAL</b>	<b>(2 057 845)</b>	<b>79 806 417</b>	<b>1 199 975</b>	<b>98 277</b>	<b>(40 447 991)</b>	<b>(33 349 565)</b>	<b>(106 000)</b>	<b>4 143 268</b>	<b>6 165 294</b>	<b>(2 042 026)</b>	<b>-</b>

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*Annexure B*

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*Report of the Auditor-General*

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**Draft**



## **REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON MATZIKAMA MUNICIPALITY**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Introduction**

1. I have audited the financial statements of the Matzikama Municipality set out on pages 3 to 57, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor-General's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Matzikama Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

#### **Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Significant uncertainties**

8. With reference to note 50 to the financial statements, the municipality is subject to the significant uncertainties listed below. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

- The municipality does not have a permit or licence for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.
- Council is currently involved in a dispute with the bargaining council with regard to the grading of the municipality.

### **Restatement of corresponding figures**

9. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during the 2011-12 financial year in the financial statements of the Matzikama Municipality at, and for the year ended, 30 June 2011.

### **Material losses**

10. As disclosed in note 42.4 to the financial statements, the municipality suffered significant water losses of 1 598 747 kilolitres (35,75%) as a result of inefficient resource management.

11. As disclosed in note 42.4 to the financial statements, the municipality suffered significant electricity losses of 22 386 248 kilowatt hours (28,39%) as a result of inefficient resource management.

12. As disclosed in note 4 to the financial statements, the municipality suffered significant actuarial losses with a value of R4 200 157 as a result of a decrease in the discount rate used in the employee benefit liability calculation.

13. As disclosed in note 18 to the financial statements, material losses amounting to R5 198 028 were reported by the Matzikama Municipality as a result of the write-off of irrecoverable trade receivables.

14. As disclosed in note 28 to the financial statements, material impairments to the amount of R7 453 657 were incurred as a result of impairment of trade receivables.

### **Material underspending of the budget**

15. As disclosed in note 41.3 to the financial statements, the Matzikama Municipality has materially underspent its capital budget to the value of R4 555 961. This underspending resulted in planned capital projects to ensure the maximum development of infrastructure and basic service delivery in the following service delivery areas not being completed by the municipality:

- Budget and treasury office
- Community and social services
- Corporate services
- Environmental protection
- Executive and council
- Other
- Planning and development
- Public safety
- Road transport
- Sport and recreation
- Waste water management
- Water

**Additional matter**

16. I draw attention to the matter below. My opinion is not modified in respect of this matter.

**Unaudited supplementary schedules**

17. The supplementary information set out on pages 58 to 61 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

18. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

**Predetermined objectives**

19. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 61 to 124 of the annual report.

20. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development priorities or objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected development priorities is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

21. The material findings are as follows:

**Reliability of information**

22. The *National Treasury Framework for managing programme performance information* (FMPPI) requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 47% of the actual reported indicators relevant to the selected objectives were not accurate when compared to source information. This was because systems have not been implemented to ensure that reported performance agrees to the supporting documentation and also because of a lack of review by senior management.

**Additional matters**

23. I draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above.

**Achievement of planned targets**

24. Of the total number of 87 targets planned for the year, 21 were not achieved during the year under review. This represents 24% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that the indicators and targets were not suitably developed during the strategic planning process.

**Material adjustments to the annual performance report**

25. Material errors and omissions were identified in the annual performance report during the audit, some of which (29%) were corrected by management, while those that were not corrected have been reported on accordingly.

#### **Compliance with laws and regulations**

26. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the *General Notice* issued in terms of the PAA, are as follows:

#### **Budgets**

27. Expenditure was incurred in excess of the limits provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

#### **Annual financial statements, performance and annual report**

28. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### **Audit committees**

29. The audit committee did not advise the council on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.

30. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with the MFMA and DoRA, as required by section 166(2)(b) of the MFMA.

31. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by Municipal Planning and Performance Management Regulation 14(4)(a)(i).

32. The audit committee did not review the quarterly internal audit reports on performance measurement, as required by Municipal Planning and Performance Management Regulation 14(4)(a)(i).

33. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by Municipal Planning and Performance Management Regulation 14(4)(a)(iii).

#### **Internal audit**

34. The internal audit unit did not submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14(1)(c).

#### **Expenditure management**

35. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

36. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure as required by section 62(1)(d) of the MFMA.

#### **Internal control**

37. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

#### **Leadership**

38. The accounting officer did not exercise adequate oversight responsibility over performance reporting to ensure complete and accurate reporting against predetermined objectives and over compliance with the relevant laws and regulations relating to predetermined objectives and the annual performance report.

39. Management did not identify and mitigate the risk of unauthorised expenditure as part of its budget and expenditure management. There was also a lack of an effective internal monitoring system to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were being followed and whether the desired objectives were being achieved to limit irregular expenditure.

40. Those responsible for overseeing financial reporting and internal control did not exercise oversight responsibility over these processes and in addition did not perform a proper review of the financial statements prior to submission for audit, resulting in errors not being identified and corrected in the financial statement disclosures.

#### **Financial and performance management**

41. The annual performance report was not reviewed for completeness and accuracy by management prior to submission for audit. A key contributing factor in this regard is the fact that the municipality does not have individuals who fully understand the performance management requirements.

42. The performance of consultants and the status of accounting functions that are contracted out are not reviewed and effectively monitored. Corrective action on under-performance by consultants is not formulated and implemented in a timely manner in order to avoid material misstatements in the financial statements.

#### **Governance**

43. The internal audit unit did not focus on the effectiveness and adequacy of the internal control measures to ensure compliance with laws and regulations related to predetermined objectives and did not audit and report on predetermined objectives accordingly.

44. The audit committee did not adequately fulfil its responsibilities as set out in section 166 of the MFMA and in accordance with accepted best practice due to incomplete formulation and definition of the committee's roles and responsibilities in the audit committee charter.

*Auditor-General*

Cape Town  
30 November 2012



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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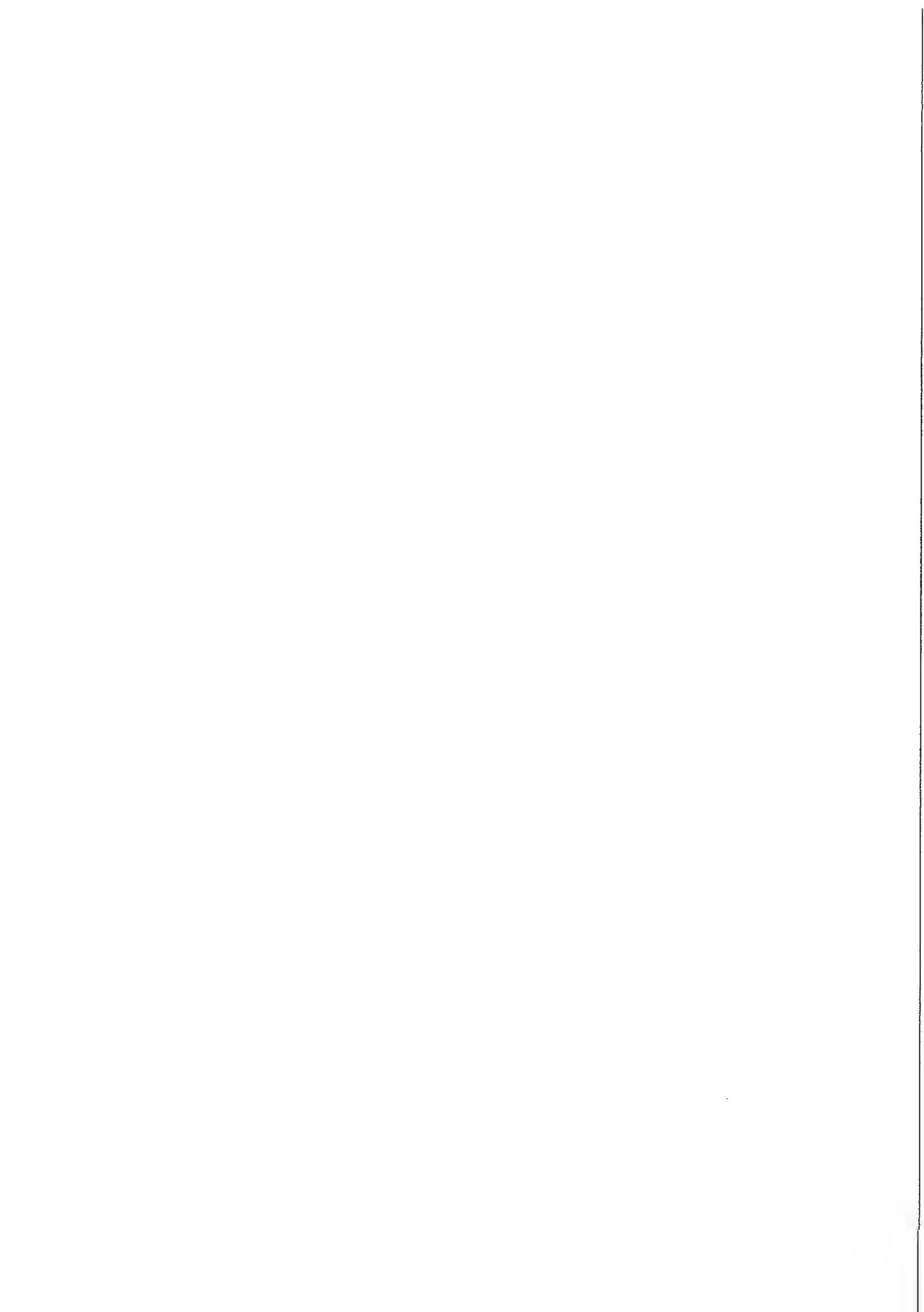
*Annexure C*

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*Report of the Audit Committee*

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**Draft**



# **AUDIT COMMITTEE REPORT**

## **MATZIKAMA MUNICIPALITY**

### **Report of the Audit Committee**

We present our report for the financial year ended 30 June 2012.

### **Audit Committee Members and Attendance:**

The audit committee consisted of the members listed hereunder and should meet 4 times per annum. During the 2011/2012 financial year 6 meetings were held.

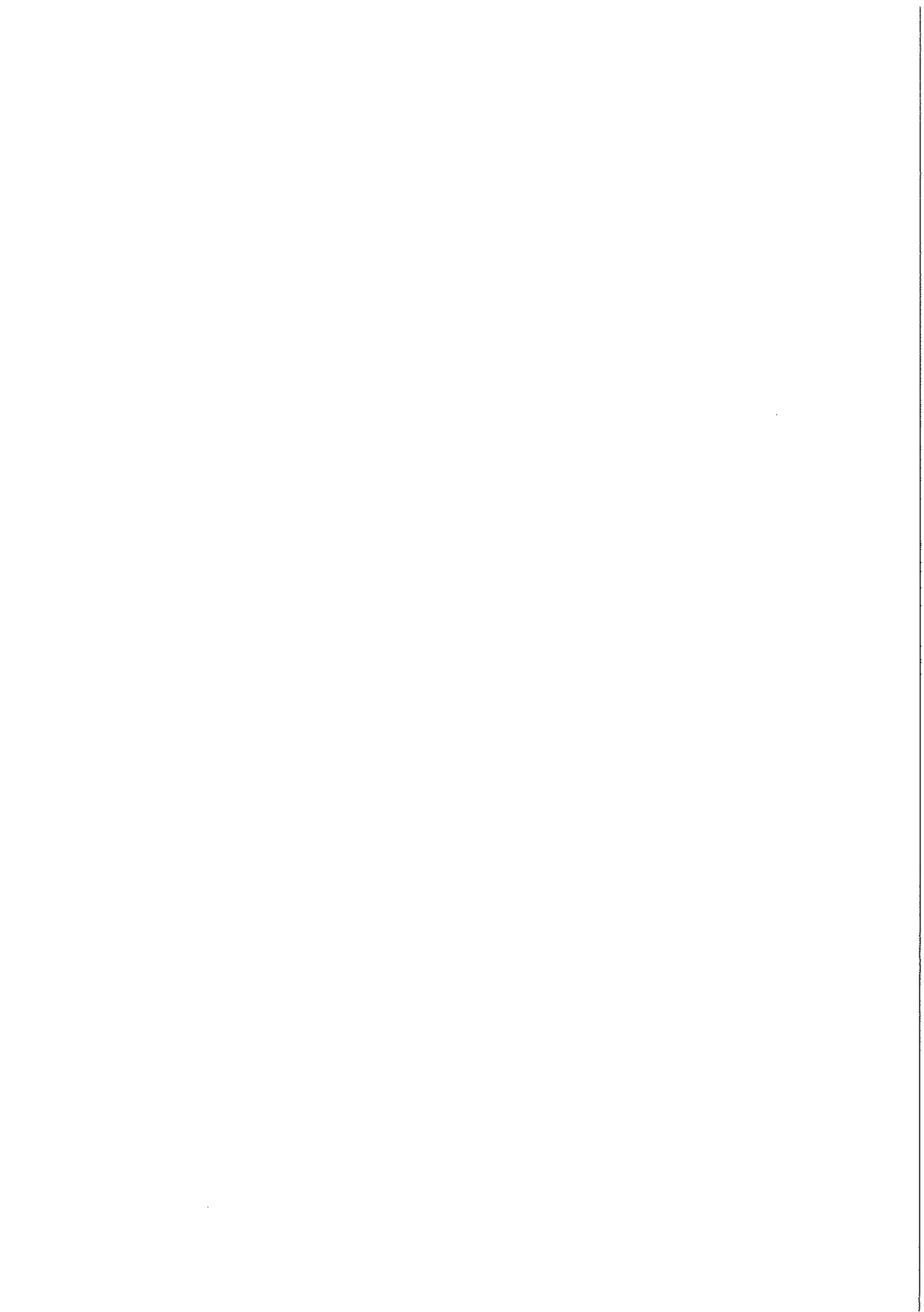
<b>Name of Member</b>	<b>Number of Meetings Attended</b>
Mr F Fourie (Chairperson)	6
Ms LJ Basson	6
Mr LJ Claassen	6
Mr A Titus	6

### **Audit Committee Responsibility**

The responsibility of the audit committee has been set out in article 166 of the Municipal Finance Management Act (MFMA) (No 56 of 2003). Furthermore, the expectation exists that the audit committee also operate according to a mandate. The mandate previously adopted by the municipality is in the process of being amended and updated to better suit the municipality's needs.

### **Internal Control**

The internal control system of the municipality is constantly reviewed by way of reports submitted to the committee by the Internal Auditor of the municipality. Recommendations are made to council via the minutes of the audit committee's meetings.



## **Evaluation of Financial Statements**

We have:

- Met with the auditor-general, as external auditors of the municipality.
- Reviewed the financial statements and made the appropriate recommendations.

## **Internal audit**

The audit committee constantly reviews reports submitted by the internal auditor. Time spent by the internal audit department of the municipality is regularly monitored by the committee and recommendations are made, and questions are raised where necessary.

Risks identified and presented by the internal auditor are reviewed. When it is deemed necessary, recommendations are made to council via the minutes of the committee's meetings.

The strategic audit plan was approved by the committee.

## **Auditor-General South Africa**

We have met with the Auditor- General South Africa. The external audit strategy has been discussed.

## **Other matters**

Certain policies of the municipalities are reviewed during the committee's meetings and when it is deemed necessary, recommendations are made to improve these policies.

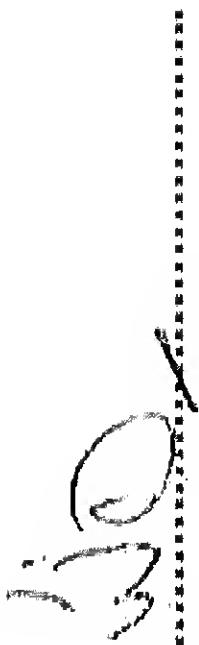
Disciplinary statistics of the municipality are scrutinized as a way of possibly signaling risk areas in the municipality.

Ad hoc reports are requested from internal audit if and when the committee identifies a possible risk area of the municipality.

The audit committee has recently been appointed as the performance audit committee of the municipality.



The audit committee has been of the opinion that council does not take heed of the committee's concerns, recommendations and requests. As a result, it was deemed necessary to visit the Minister of Local Government of the Western Cape during February 2012. The committee is yet to pick the fruits of this labour. The committee hopes to make a constructive contribution to the operation of the municipality.



Chairperson of the Audit Committee: .....

Date: 26-10-2012 .....

